

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Weekend April 21/April 22 1990

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WORLD NEWS

PM resists
speedier EC
integration

The Prime Minister yesterday emphasised Britain's determination to resist moves towards accelerating the process of European integration.

In talks with Irish Premier Charles Haughey, chairman of the European Council, she stressed that any switch in the community's priorities would be resisted. The Government, meanwhile, has drawn up contingency plans to counter European pressure towards political union.

Page 22

Hostage pressure on US
The White House dismissed as "a smoke screen" claims by Islamic Jihad for the Liberation of Palestine that the absence of diplomat John Kelly delayed the release of an American hostage. As Mr Kelly returned to Washington yesterday, the US was under pressure to make a gesture of good faith to the kidnappers. Page 3

New offer to Albania
Britain yesterday renewed an offer last made a decade ago to restore diplomatic relations with Albania. Ties were broken in 1948 after two Royal Navy vessels struck mines and sank in the Corfu Channel, near the Albanian coast.

France 'may sign treaty'
French government officials said the country may announce a change of heart on its 22-year refusal to sign the Nuclear Non-Proliferation Treaty this year. If France were to sign, it would bring French policy into line with the EC and leave China as the only nuclear power which has not pledged to withhold nuclear weapons technology from the Third World.

Czech title approved
The Czechoslovakian Parliament approved a change of the nation's name to the Czech and Slovak Federative Republic, aimed at easing tensions between its two republics.

Held electricity riots
A soldier was reported stoned to death and two civilians killed on Thursday in rioting against high electricity bills in Cabaret, north of the capital Port-au-Prince.

Ethiopian rebels kill 800
The Ethiopian People's Revolutionary Democratic Front claimed it had killed more than 800 Ethiopian government troops on Sunday and Monday this week in separate offensives north of Addis Ababa.

AIDS numbers warning
The total number of cases of AIDS in Europe is expected to double to between 60,000 and 70,000 by the end of next year, with the largest relative increase expected in the heterosexual group, according to projections by the World Health Organisation.

Egyptian bomb attack
A motorcyclist threw a bomb into a church at Senoussi, near Cairo, killing a policeman. It was the second attack against Christians in the area in a week.

Aldermaston walkout
More than 1,000 workers at the Aldermaston atomic weapons establishment in Berkshire staged a walkout yesterday over plans to contract out the management of the plant.

Spanish minister quits
Spain's Minister of Labour Manuel Chaves resigned yesterday to seek election as president of the regional government of Andalusia in June, a government spokesman said.

**FT Survey on
The Gas Industry**
Due to a technical problem, some FT readers received in yesterday's newspaper an incomplete version of our survey on the Gas Industry. The complete survey will be reprinted in the paper of Monday, April 23.

BUSINESS SUMMARY

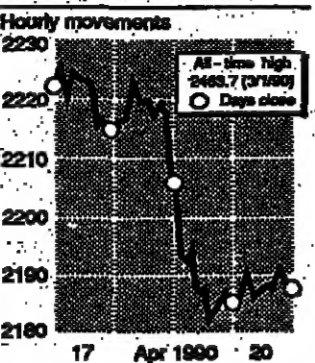
BSB launch
hit by lack
of receivers

British Satellite Broadcasting admitted that with virtually no receivers available to consumers in time for its third attempt at a launch on April 22, its plans are in disarray.

Last year BSB, a £1.3bn consortium in which Pearson, publisher of the Financial Times, has a significant stake, spent heavily advertising an autumn launch, postponed because of delays over essential microchips. Page 22

UK EQUITIES: The bid of more than £1bn for one of the FT-SE 100 index stocks, Globe Investment Trust, provided the platform for a market rally, but enthusiasm was checked by less agreeable news from the corporate sector. The index tried to breach the 2,900 level but turned back to close at 2,871. Page 22

FT-SE 100 Index



2,871: a rise of 2.4 on the day and 35 down on the week. Stock market report, Page 15; Lex, Page 22

CITICORP: The credit rating of the largest US bank holding company and its subsidiaries has been placed under review for a possible downgrading by Moody's Investors Service, the US credit rating agency. Page 10

MANVILLE: US building materials and industrial products group, is seeking offers for its 50 per cent share in the Stillwater mine in Montana, the only known economically viable primary source of uranium group minerals outside South Africa. Page 10

PERMCO: The US drinks maker, has been given clearance by the Indian cabinet to sell Pepsi, ending the long period of uncertainty for the company's project to enter the Indian market. Page 3

BRITAIN will have the lowest growth, highest inflation and the biggest current account deficit as a percentage of economic size of the Group of Seven leading industrial countries this year, according to the IMF. Page 3

US HIGH-TECH SALES: The plan by Hercules, the Delaware-based chemicals and aerospace group, to sell its Semi-Gas Systems subsidiary to Nippon-Senso of Japan for a reported price of \$22m (\$14m) is creating further controversy over Japanese high-technology acquisitions. Page 11

BRITISH COAL plans to buy about half the electricity used in its coal mines from the privatised successors of the Central Electricity Generating Board instead of from local electricity distribution companies. Page 4

HILLSDOWN HOLDINGS the UK food, furniture and property group, yesterday launched a significant expansion in North America by agreeing to take control of Canada Packers, Canada's biggest quoted food-processing company. Page 8; Lex, Page 22

LETTLEWOODS, the retail and football pools group and one of the largest private concerns in the UK, reported a fall in pre-tax profits for 1989 from £71.2m to £63.8m. Sales rose 5.6 per cent to £1.89m. Page 8

GLYNEDD, the Midlands-based industrial group, has made a recommended offer for Almac, valuing Britain's biggest beer barrel maker at £31m. Page 8

Boost for stock market as world's biggest investment trust rejects approach

Coal pension
funds bid £1bn
for Globe trust

By John Thornhill

A £1.03bn takeover offer for Globe Investment Trust, the world's largest investment trust, was launched yesterday by British Coal Pension Funds. The funds, which already owned 28.5 per cent of Globe's shares, were forced to make a full offer for the trust after they bought a further 5 per cent stake taking them past the 30 per cent trigger point.

Globe, the only investment trust to feature in the FT-SE 100 Share Index, rejected the offer and strongly recommended shareholders not to sell their shares.

Mr David Hardy, Globe's chairman, said: "We obviously believe the bid is too low and it would be distressing if the premier investment trust for private shareholders should disappear into a nationalised industry's pension fund."

Analysts believed the offer had ramifications for the personal savings sector and the UK stock market. Mr John Szymanski, an analyst at Warburg Securities, said: "This offer represents a significant vote of confidence in the UK stock market. The coal board funds are saying that they would like to increase their exposure to the stock market at below the 2,900 level and will be putting almost £1/2m into the market."

The FT-SE 100 Index closed up 2.4 at 2,871.1 after falling every other day this week.

Opinion was divided about whether the bid could be considered to be against the public interest but the Office of Fair Trading said it would look into the offer as a matter of course.

Globe, owned by more than 40,000 shareholders, is estimated to have net assets of £1.03bn. The trust has a heavy concentration of investments in quoted UK companies, but also has big equity holdings in North America, the rest of Europe and the Far East.

The funds are offering 191p cash for every Globe ordinary share. They said this represented an 11 per cent premium to Globe's recent share price and a 6 per cent discount to its estimated net asset value per share of 203p.

The funds agreed just before midnight on Thursday to buy a parcel of 28.5m Globe shares, representing 5 per cent of the total equity, from Standard Life, the life assurance group. The shares were bought at 191p against Thursday's closing price of 174 1/2p. Globe's shares climbed yesterday to 189p.

The funds, which form the UK's second largest group of pension funds, are estimated to have total assets of £12.5bn. Global aspirations, Page 6; London stocks, Page 15; Lex, Page 22

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David Hardy: "We obviously believe the bid is too low"

China accuses UK on Hong Kong plan

By John Elliott in Hong Kong and Ralph Atkins in London

CHINA yesterday accused the UK of trying to perpetuate rule by "British people" in Hong Kong after 1997 through its proposed passport and right of abode package for up to 50,000 families.

The package passed its first big parliamentary hurdle in London on Thursday night. The Government's victory was helped by widespread dissent in Labour's ranks by MPs who refused to vote with opposition leaders.

China said it would not recognise the bill, and reserved "the right to take necessary measures". It alleged that the plan would hasten rather than slow Hong Kong's brain drain.

"This is an attempt to change the 'Hong Kong people' ruling Hong Kong stipulation in the Sino-British Joint Declaration [on the 1997 handover] into 'British people' ruling Hong Kong," said a statement issued by the Xinhua News Agency, Peking's de facto local embassy.

This marked a sharpening of previous attacks on the package, which will be raised by China at a regular meeting in Peking next week of the Sino-British Joint Liaison Group, which is responsible for overseeing developments in the run up to 1997. China has insisted that both the passport issue and Hong Kong's proposed Bill of Rights are put on the agenda.

The passport package has now become the main impediment to improved relations between Peking and the UK and Hong Kong Governments, and it threatens to crowd out other more detailed work on the 1997 handover at next week's meeting.

Hong Kong's growing resignation about its prospects after 1997 was demonstrated yesterday when the 5.8m population reacted with more indifference than enthusiasm to the package's Parliamentary success.

Labour yesterday found itself exposed to attacks from political opponents about the large-scale dissent within the party over its stance on the Government's Hong Kong passport bill.

Sir Geoffrey Howe, deputy Prime Minister, described Labour's performance as an "embarrassing disgrace". Its front-bench team "did not even

convince their own backbenchers who abstained in disgust," he said.

Mr Norman Tebbit, the former Conservative party chairman who led a rebellion by 44 of the Government's supporters against the bill, said yesterday that he would continue to oppose it in the Commons.

He faced attacks, however, from leaders of ethnic minority groups in Britain for his comments on racial integration, while ministers said his credibility had been severely damaged by Thursday's vote.

The Government won an unexpectedly large majority of 97 on the second reading of the bill, which paves the way for giving full British citizenship to up to 225,000 people in Hong Kong.

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Queen's Awards face review
on impact of EC single market

By Charles Leadbeater and John Authors

THE FUTURE of the Queen's Awards for Export, which since 1966 have been a symbol of British business achievement, is likely to be reviewed in the light of the spreading impact of the 1993 single European market programme.

Officials responsible for the scheme believe exports from Britain, the traditional measure of success, may become less relevant with closer integration of Europe's economies.

A list of the 175 winners of the awards for exports and technology, which is published today, the Queen's birthday, reflects the changing structure of the British economy, especially as a result of inward investment.

Twenty-seven winners of export awards were foreign owned companies, including Sharp and Sony, the Japanese consumer electronics groups. Right of the winning companies, including Body Shop, the skin preparations group, had an environmental aspect to their applications.

There were 128 awards for

A survey on
the Queen's Awards
will appear
in Monday's paper

exports and 49 for technology, drawn from 1,355 applications, the highest number since 1979. About 58 per cent of winners were small companies employing fewer than 200 workers.

Some two-thirds of the winners had won awards before. Nine won in 1989, including Land Rover, Rediffusion, and Ethicon, a Scottish subsidiary of Johnson and Johnson which exports surgical sutures to more than 100 countries. Imperial Chemical Industries and subsidiaries of the General Electric Company, which have been the most prolific winners since receiving awards in 1986, both won this year.

The export awards attracted a wide variety of companies from Pobjoy Mint, in Surrey, which mints the currency for a number of small countries, to

C.B. Brook & Co, the hunting business which provides the material for national flags.

Rosses Machine, a textile machinery manufacturer based in Gateshead, Tyne and Wear, was the only winner of awards in both categories, thanks to a device which increases the speed at which looms can produce patterned cloth.

Awards went for the first time to a legal firm, Baker & McKenzie, and to an insurance company, R Mears & Co. Other export winners included Butterley Brick, a Hanson Trust subsidiary, which exported 8m bricks last year, and Darlington-based Edgeworth Electronics. Founder Mr Jim Edgeworth and a colleague spearheaded its export drive. In contrast Glaxo, the pharmaceutical company, which also won, has more than US 2,000 sales staff.

The winners of the technology awards include the Wellcome Foundation's research laboratories which have developed a manufacturing process for Retrovir, the AIDS drug.

Trucks with
Iraqi 'gun'
parts held
in Greece
and TurkeyBy Ralph Atkins and
Victor Mallet in London
and Kerin Hope in Athens

TRUCKS carrying British components to Iraq for a huge project have been stopped in Greece and Turkey, amid continuing confusion in Britain about where to lay the blame for allowing Iraq's plans to go so far.

The Greek Finance Ministry said last night that a truck heading for Iraq had been stopped in the western port of Piraeus; the driver's documents show "the cargo was a metal tube but" was a 28.5-tonne weapons system requiring special papers, the Ministry said.

A British driver is being held. Sheffield Forgemasters, one of two British companies accused of making large gun barrels for Iraq, said it assumed the lorry was carrying Forgemasters-made parts. Walter Somers, the other company, said a truck had been stopped in Turkey. There was no immediate official comment from the Turkish authorities.

The moves in Greece and Turkey follow efforts by UK customs to trace the various gun components, some of which have already reached Iraq.

Walter Somers is thought to have made parts largely for a 350mm gun, while Forgemasters is said to have made the barrel for an immense gun with a one-metre bore.

British Customs officials seized eight sections of pipe made by Forgemasters from a docks in Middlesbrough on April 11 and documents from Forgemasters and Walter Somers, both of which have said they thought they were making petrochemical equipment.

The Government's embarrassment over its role in the affair deepened yesterday, with confused reports emerging about telephone calls made to Government departments in the past by Sir Hal Miller, Conservative MP for Bromsgrove, who was trying to pass on Walter Somers' suspicions about the Iraqi contracts.

Initial reports suggested records of the calls had been traced at the Department of Trade and Industry, the Ministry of Defence and a third agency - assumed to be the security services.

Sir Hal said he raised questions about the contracts two weeks ago on Page 22. Ultimate cost of a dangerous ambition, Page 3

Weekend
FT

**LIFE, THE
UNIVERSE, AND
EVERYTHING**
Clive Cookson explains why the Hubble space telescope and other billion-pound projects are necessary to probe the limits of human knowledge
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Taking London's temperature
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Paul Abrahams looks back on a disastrous season for French skiing while Roger Matthews goes on the trail of Ho Chi Minh
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Motoring
Stuart Marshall tests the greenest VW
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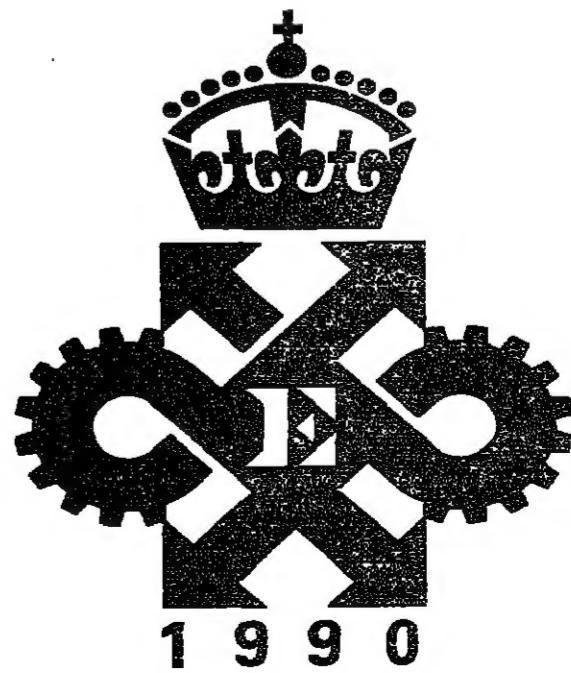
Food & Wine
Jancis Robinson meets two unorthodox wine merchants
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Lucia van der Post on the feuds and fortunes of Louis Vuitton
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Sport
John Barrett on attempts to produce a British tennis champion
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Aquascutum

IS HONoured FOR ITS OUTSTANDING MARKETING PERFORMANCE.



THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT 1990

This year, this long-established manufacturer and supplier of high quality clothing and accessories for men and women wins its fifth Export Award. Exports go to over 40 countries with Europe, the Far East and N. America as the main market areas. Overseas earnings, which account for over half of total turnover, have more than doubled over the past five years.

MARKETS

STERLING

New York lunchtime:
\$1.637
London:
\$1.6395 (1.644)
DM2.7625 (2.7575)
FF4.2725 (4.2675)
Sfr2.4375 (2.4375)
Y258.00 (257.25)
£ index 87.2 (87.1)

GOLD

New York: Comex Jun
\$375.5
London:
\$375.25 (376.25)

N SEA OIL (Argus)

Brent 15-day Jun
\$17.125 (same)

Chief price changes
yesterday: Page 22

DOLLAR

New York lunchtime:
DM1.6874
FF4.4905
Y157.3
London:
DM1.6885 (1.677)
FF4.491 (4.4825)
Y157.3 (156.45)

YEN

Index 88.3 (88.1)
Tokyo close: 157.80

US LUNCHTIME

Fed Funds 5 1/4 %
3-mo Treasury bill:
yield: 7.55 %

Long Bond:
95 3/4
yield: 8.85 %

STOCK INDICES

FT-SE 100:
2,187.1 (+2.4)
FT Ordinary:
1,712.6 (+0.4)
FT-A All-Share:
1,065.51 (+0.1 %)

NEW YORK STOCKS

DJ Ind. Av.
2,687.39 (-24.55)
S&P Comp
335.44 (-2.88)

LONDON MONEY

3-month interbank:
closing 15 1/2 % (15 1/2 %)

Life long gilt future:
June 79 1/2 (79 1/2)

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British Coal Pension Funds bid for Globe

Man in the news

Vytautas Landsbergis, President of Lithuania

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OVERSEAS NEWS

Soviet call for end to guarantee of right to work

By John Lloyd in Moscow

A SOVIET official has called for an end to constitutional guarantees of the right to work, the first such attack by a senior figure on one of the Soviet Union's sacred cows.

Mr Vladimir Shcherbakov, chairman of the state committee of the USSR on labour and social issues, said: "It seems we will have to reject our previous interpretation of the guarantee of the right to work in the constitution, including the right to choose one's profession and the right to work corresponding to one's abilities and education."

The call came as Mr Mikhail Gorbachev, the Soviet President, suggested that his advisory presidential council was unable to agree a package of economic reforms to usher in a market system, presaging further delays in its appearance.

In an interview with the main Communist Party daily, Pravda, Mr Shcherbakov said a labour market, which would follow from the economic reforms now being prepared, "does not provide guarantees for work".

He also said enterprises should be freed from the obligation to hand out jobs on demand and that responsibility for the unemployed should be transferred to the state. There has been much discussion of the possibilities of unemployment if the Soviet Union switches to a market economy, with some economists reckoning the number of jobless could rise from an official rate of zero to 10m out of a labour force of some 140m.

But this is the first time a senior figure has called for the deletion of article 40 of the Soviet constitution, which guarantees the right to a job.

Mr Shcherbakov also said that in future, the state would broadly guarantee merely that

a minimum wage was paid, leaving enterprises to fix differentials and bonuses. He also said workers should take responsibility for a share of social protection by investing in personal insurance.

In a statement issued by Tass, the official news agency, Mr Gorbachev said the economic package now being discussed would represent "the greatest turn since the October revolution (in 1917)". The momentous nature of the enterprise was, he said, the reason that it must be "planned more thoroughly", a formula which may indicate that it will not be presented to the Supreme Soviet before May 1 as planned.

He said that the reform could work "only if it is supported by millions of Soviet people and meets their interests".

But habits of forced deference to superiors had produced a "striving for universal leveling, lack of initiative and passivity, which are reflected in our people's mentality".

He also said that "conclusions should be drawn from the government's failure to execute measures approved by the second Congress of People's Deputies (on market reform)", possibly a swipe at Mr Nikolai Ryzhkov, the Prime Minister, who last December sought to revitalise the ailing command system to meet production quotas on consumer goods.

This attempt is now said to be discredited. But despite a warning that "we must not procrastinate or hesitate", the Soviet President then proposed a programme of consultations, investigations, analyses, and legislative drafting so lengthy it is hard to see how the package can be ready by the end of this month.

CIA says Soviet economy is at its worst under Gorbachev

THE SOVIET economy's performance last year was the worst of the Gorbachev era with rationing of items from soap to sausage, and things could get even worse this year, the US Central Intelligence Agency (CIA) reported yesterday. Reuter reports from Washington.

"Soviet economic performance was abysmal in 1989 - the worst since Gorbachev took over," Mr John Helgeson, CIA deputy director for intelligence, testified at a hearing of the congressional joint economic committee.

"Industry, construction and transportation stagnated or declined" in the Soviet Union

last year, Mr Helgeson said. "By the end of 1989 only 50 out of 1,200 basic consumer goods were readily available. Meat and sausage were rationed in one-fifth of the major cities and soap, detergent and sugar were rationed almost everywhere."

He said reform plans were poorly implemented and were hurt by a legacy of centralised planning and bureaucracy.

The Soviet Union was also hurt by disasters such as the Armenian earthquake and by labour and ethnic strife that cost 7m work days last year.

"As we look ahead the prospect of even a modest economic recovery appears to be remote at best," he said.

Bush dispels doubts over stance on Lithuania

By Lionel Barber in Washington

THIS WAS the week that President George Bush dispelled any remaining doubts about where he stands on Lithuanian independence.

Standing alongside President François Mitterrand of France in Key Largo, the Florida resort made famous by Humphrey Bogart's classic 1946 film, Mr Bush gave his clearest statement to date that he puts a higher value on improved relations with the Soviet Union.

"I am trying to keep open a dialogue and discussions that affect many, many countries," he told reporters on Thursday afternoon. "I am talking about arms control, solidifying democracy in Eastern Europe."

His realpolitik language seems to match the current mood of the American public: a poll published by the Wall Street Journal on Thursday showed that 61 per cent think close links with President Mikhail Gorbachev, the Soviet leader, are more important than support for Lithuania.

Moreover, retaliatory measures by Washington against Moscow are likely to be minimal. Mr James Baker, US Secretary of State, told Congress that the administration is only targeting closer commercial ties with Moscow. The broader agenda of arms control, Third World conflicts, and German unification will remain untouched.

Taken together, the statements by Mr Bush and Mr Baker amount to a clear message to President Vytautas Landsbergis of Lithuania: make the necessary concessions to enter a dialogue with Mr Gorbachev.

Mr Landsbergis himself gave two live televised interviews on CNN network news this week in an effort to appeal to America's conscience. Here was a man under considerable mental stress, who appealed for a US policy based on truth rather than mere national interest. "It is very simple: the truth is the right of our nation to survive as a nation."

Yet very few people were listening. This weekend, as the Lithuanians edged towards negotiations with Moscow, the question was whether Mr Gorbachev's use of economic coercion had caught the White House and State Department off-guard, and whether they fully realised the limits to which Mr Gorbachev would go to keep Lithuania in the fold.

Certainly, the administration's signal early on that the use of force would be a litmus test for the relationship made it more likely that Mr Gorbachev would resort to other methods to bring Lithuania to heel.

Rise of nationalism overshadows Croatian poll

By Laura Silber in Zagreb

THREE-AND-A-HALF million voters are poised to end more than 45 years of Communist rule in the Western Yugoslav republic of Croatia on Sunday in elections that have been overshadowed by the rise of right-wing nationalism.

In spite of its commitment to social democracy, the ruling (former Communist) Party for a Democratic Change, led by Mr Ivica Racan, faces possible defeat by the Croatian Democratic Union (CDU), a nationalist party which calls for a sovereign Croatian republic with extended borders.

The CDU is led by the charismatic and nationalist-inspired Mr Franco Tudjman, a former general.

The elections in Croatia, the second largest of Yugoslavia's six republics and two autonomous provinces, end two decades of political silence after the late President Tito purged the popular Croatian Communist leadership in 1971 on charges of nationalism.



Zagreb voters passing defaced election posters of the right-wing Croatian Democratic Union.

The same leaders have returned to the political stage in the 10-party Coalition of National Agreement (CNA).

However opinion polls indicate that the attempt to recapture the euphoria of 1971 has failed. Part of the reason is that the

CNA is unable to match the nationalist rhetoric of Mr Tudjman, who has been described by Mr Dragan Colic,

editor of Danas, the Croatian weekly, as "a Croatian Le Pen".

The explosion of Croatian nationalism, which has been exploited by Mr Tudjman and the CDU, resembles the nationalist fervour stirred up in Serbia by Mr Slobodan Milosevic, the Serbian leader.

Essentially, the CDU has managed to harness the widespread hostility to neighbouring Serbia, the largest republic, and the privileged position of the Serbian minority in Croatia.

Although the Serbs represent only 12 per cent of Croatia's population of 4.8m, Mr Colic believes that they have a privileged position. These claims are strengthened by Mr Tudjman who says that the Serbs comprise 40 per cent of the Communist Party and 60 per cent of the police and security forces.

"Serbs are afraid of Croatian nationalism, so they will vote for the Communists," says Mr Colic.

Baltic crisis moves to head of EC's agenda

By Tim Dickson in Brussels

FOREIGN Ministers of the European Community will today discuss Moscow's decision this week to cut oil and natural gas supplies to Lithuania at a special meeting in Dublin.

The emergency session of the Twelve was originally called to consider steps towards German unification and the EC's developing policy towards the emerging democracies of Eastern Europe - but it was being predicted in Brussels last night that the crisis in the Soviet Union's western empire could overshadow these other issues.

Diplomats were yesterday working out a formal statement on Lithuania for agreement at today's meeting - likely to be a compromise between those member states who feel the Community should at least threaten to go slow on negotiations with Moscow for a new trade and co-operation agreement, and those who are anxious not to antagonise Mr Mikhail Gorbachev, the Soviet leader.

Mr Gerald Collins, the Irish Foreign Minister, and current chairman of the EC Council of Ministers, is expected to urge states will have to consider how much money to spend on East Germany ahead of formal unification, and what the Brussels commitment should be afterwards in policy areas such as agriculture and structural funds.

Today's meeting is bound to be marked by reaction to Thursday's call by Germany and France for political and monetary union by 1993.



Collins: will be urging caution

central and eastern Europe. The paper on association agreements - which falls short of any promises on full membership of the EC - will probably be the easier to agree. The one on Germany, which foresees a three-phase process of integration into the Community, is couched in fairly general terms, but leaves certain vital questions unanswered.

Both this weekend and at next week's emergency summit of EC heads of state and government in Dublin member states will have to consider how much money to spend on East Germany ahead of formal unification, and what the Brussels commitment should be afterwards in policy areas such as agriculture and structural funds.

Today's meeting is bound to be marked by reaction to Thursday's call by Germany and France for political and monetary union by 1993.

Kosovo politician may be freed

By Judy Dempsey

CRIMINAL charges against Mr Arif Vllasi, the former Communist Party leader of Kosovo, are likely to be dropped, a member of Yugoslavia's collective state presidency said yesterday.

Mr Vllasi, an ethnic Albanian who was accused by the Serbian leadership led by Mr Slobodan Milosevic of instigating a wave of demonstrations throughout the province, was put on trial last October on charges of "counter-revolution".

Yesterday, however, Mr Stipe Suvor and Mr Jazek Drnovsek, members of the eight-man presidential group which is Yugoslavia's highest constitutional body, said they would propose ending Mr Vllasi's trial.

The remarks were aimed at ending the confusion following a report earlier in the week by Tanjug, the Yugoslav news agency, which had said that

the public prosecutor had dropped all charges against Mr Vllasi. Then yesterday, both Tanjug and Yugoslav newspapers reported that the charges had not been dropped.

Mr Vllasi's case became a cause célèbre in several of the Yugoslav republics because many liberals regarded the trial as a purely political case orchestrated by nationalist Serbs.

The charges against him followed a spate of violent demonstrations by the ethnic Albanian majority protesting against the sweeping constitutional changes to the Serbian constitution.

The changes, spearheaded by Mr Milosevic, gave Serbia, the largest of the six Yugoslav republics, complete control over Kosovo, which had been granted autonomous status under the late President Tito.

Mr Milosevic and other nationalist Serbs partly justified

the changes on the grounds that the ethnic Albanians had allegedly discriminated against the small Serb and Montenegrin minorities and had intimidated them into quitting the province altogether.

The constitutional changes, however, fuelled such resentment among the ethnic Albanians that more than 50 people were killed last March in clashes between young ethnic Albanians and the police authorities.

It was then that Mr Vllasi was accused by the Serbs of instigating the riots while the federal authorities placed the province under a state of emergency which was lifted earlier this week.

During that period, scores of ethnic Albanian intellectuals were sacked or "isolated" in an effort by Serbia to place pro-Serbian officials in senior party and state posts.

Walesa wins crucial vote



Mr Lech Walesa, the Solidarity leader, above, after doing battle yesterday at the conference rostrum to demonstrate his hold over delegates to the trade union's second congress.

Nevertheless, the Solidarity leadership overwhelmingly won a crucial vote on a controversial report on the movement's last eight years, despite a smattering of critical speeches, Christopher Bobinski writes from Gdansk.

The report covers a period when the movement spent some \$7m-worth of aid from the West under martial law.

But before that, Mr Walesa lost a key vote when delegates decided to invite to the congress members of the union's leadership elected in 1981 - some of whom, like Mr Andrzej Gwiazda from Gdansk - have since founded rival more militant movements.

The vote angered Mr Walesa, who threatened to leave if they arrived. "I will never sit down at the same table as these gentlemen for their actions in disrupting the movement," he said. And he struck a defiant note when he said: "I am not doing what I do for hope of office, but for Poland, for which I will never abdicate responsibility." The speech, though, did not clarify his intentions as to when and if he intended to stand for President.

Swedish Social Democrats back road-rail bridge

SWEDEN'S ruling Social Democrats voted yesterday to back a combined road and rail bridge across the waters of the Öresund that divide the country from Denmark. Robert Taylor writes from Stockholm.

The executive committee backed the proposal by a large majority in spite of opposition from environmentalists who fear a bridge will pollute the area.

This important decision represents a clear signal that Sweden - after more than a century of sporadic debate - is ready to link up with the continent of Europe.

It follows recent backing for the bridge proposal from the main political parties.

Both sides of industry in Sweden and Denmark have welcomed the decision which is expected to be confirmed this autumn at the Social Democratic party conference.

The proposed bridge will be constructed between the Swedish town of Malmö and Copenhagen. The proposal for a rail-only tunnel did not win much support.

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OVERSEAS NEWS

US faces pressure to ease release of Beirut hostage

By Tony Walker in Damascus

THE US is coming under pressure to make a public gesture towards Lebanese extremists that would facilitate the early release of one of their American captives.

The Islamic Jihad for the Liberation of Palestine has demanded the presence in Damascus of a senior US official to receive the freed hostage. President Bush has said, however, that Washington would not "knuckle under" to the kidnappers' demands.

US representatives in Damascus have been engaged in an intensive round of consultations with Syrian officials in an effort to arrive at a formula that would satisfy the hostage takers.

Hostages were raised yesterday that the freeing of one of the hostages would proceed, in spite of the last minute delays.

Mr Hussein Musawi, a Shia Muslim leader who is known to be close to the kidnappers, said the release of one of their captives was certain.

"The delay is certain, but the release is also certain," Mr Musawi said. "If someone decides to return a hostage, the other side is supposed to take the hostage," he added.

His comments were a clear indication that for "protocol" reasons, the hostage takers wish to deliver their captive to a relatively senior figure in the Bush Administration and not simply to the resident US Ambassador in Damascus.

They have nominated Mr John Kelly, the US Assistant Secretary of State for Middle East Affairs and a former Ambassador in Lebanon, for

the task. However Washington fears that if Mr Kelly were to fly to the Syrian capital, he may become publicly embroiled in negotiations with the hostage takers.

Adding to pressure on US officials to deliver is the big American TV presence in Damascus for the hostage story.

The Islamic Jihad for the Liberation of Palestine is holding three American academics captured in early 1987. It has not said which of the three it intends to set free.

The pro-American group had disclosed earlier this week that it would free a hostage by Friday, but it announced late on Thursday that it was postponing the release until "the picture is cleared."

The hiccup in attempts to release one of eight Americans among 17 Westerners believed held hostage in Lebanon has caused intense disappointment. Expectations have been raised that the freeing of one of the Americans held by the IJLP would open the way for the release of others, including Mr Terry Anderson, the American journalist who has spent five years in captivity.

The US Ambassador to Syria, Mr Edward Derwinski, flew back to Damascus on Thursday. He had been in Germany attending a meeting of US diplomats at which Mr Kelly was also present.

In Damascus Mr Farouk al-Shara, Syria's Foreign Minister, said his Government had "been exerting a great deal of influence" to secure the hostage release by Sunday. He would not elaborate.

Iran ready for Haj talks

IRAN is ready for direct talks with Saudi Arabia over the Haj, boycotted by Tehran since violence during the Moslem pilgrimage in 1987, it said yesterday. Reuter reports from Niassa.

But Mohammad Khatami, Minister of Islamic Culture and Guidance, made clear Iran would not give up its demand that pilgrims be allowed to hold political demonstrations during the ritual.

"Islamic Iran will never deviate from its Islamic principles, but is ready to negotiate directly or indirectly," Khatami was quoted as saying. "We believe a fundamental solution can be achieved, provided goodwill and realism exist."

Earlier Arabia broke diplomatic relations with Iran in April 1988, citing hostile acts by Iran during clashes in Mecca in July 1987.



Moslem protesters burn US and Israeli flags in Dhaka in protest at the Indian "occupation" of Kashmir and Israeli "domination" of the Al-Quds mosque in Jerusalem

PepsiCo wins full clearance to enter the Indian market

By David Housego in New Delhi

PEPSI-COLA is expected to go on sale in India within a month, ending the long period of uncertainty for PepsiCo's project to enter the Indian market.

The Indian cabinet yesterday gave full clearance to the US drink manufacturer's project, which has been facing delays since the administration of Prime Minister V.P. Singh took over five months ago.

However in a ruling that will set a precedent for the use of brand names by other multinational firms, the cabinet decided that Pepsi must carry an Indian prefix when sold in India. It will thus be marketed as *Lehar Pepsi*. *Lehar* means "wave".

The Pepsi project involves an investment of more than Rs500m (£17.5m) in a food processing venture in the Punjab. Pepsi has had to guarantee to export 50 per cent of its production over 10 years as the price of being allowed to market 25 per cent of its total turnover in soft drinks.

Mr George Fernandes, the Railway Minister and the former Minister of Industry who secured Coca-Cola's exit from India in the 1970s, has attacked the deal, which was first approved in 1986. Mr Fernandes believes India does not need foreign equity in the soft drinks sector.

The renewed controversy in recent months and the delays that Pepsi has encountered in

importing equipment and obtaining licences threatened to embitter the climate for foreign investment.

However, PepsiCo has had the support of Mr Ajit Singh, the Minister of Industry, and of politicians from the Punjab anxious to safeguard a venture of benefit to local farmers who will supply potatoes and tomatoes.

The decision follows the Government's recent refusal to allow Coca-Cola to re-enter India. Coca-Cola had proposed a 100 per cent export-oriented venture for producing concentrate. Under Indian regulations, it should have been allowed to market 25 per cent domestically. The new administration rejected the project.

Japan may escape being named unfair trader by US

By Peter Montagnon in Puerto Vallarta, Mexico

THE US has told Japan it might escape being named as an unfair trading nation by the Bush Administration at the end of this month if a substantial effort is made to resolve outstanding bilateral trade issues.

Though far short of a commitment to spare Japan, the US line appears to soften its earlier stance on an issue which threatens to derail the Uruguay Round of multilateral trade talks.

Under the 1988 US Trade Act, the Bush Administration is obliged to draw up a list of countries engaging in unfair trade practices by the end of April. Implicit in the process is the threat that they will face sanctions from the US if they do not mend their ways. Mrs

Carla Hills, the US Trade Representative, told Mr Taro Nakayama, the Japanese Foreign Minister, at a meeting in Puerto Vallarta that Washington understood Japan's concerns about the Uruguay Round and would apply the law prudently.

She stressed that much work needed to be done to resolve outstanding issues and told Mr Nakayama that she hoped it would not be necessary to name Japan this year.

US officials say they have been encouraged by a Japanese decision this week to defuse a potential bilateral row over amorphous metals, which are used to increase efficiency in power generation.

Japan regards the dispute as one for the private sector and

not for governments, but Tokyo has agreed to talks on the issue without waiting for the US to take up a formal complaint from Ilied Signal, the US manufacturer of amorphous metals, which alleges that Japan has closed its markets to this product.

Mr Nakayama also told Mrs Hills his Government was prepared to move on another issue and improve copyright protection on foreign recorded music by amending its law within a year. US officials say they will need more detail on this before declaring themselves satisfied.

Meanwhile Mr Linn Williams, Deputy US Trade representative, is "on standby" to resume talks on wood product trade, a further area of dispute between the two countries.

Textile trade deadlock remains

LEADING trade ministers have failed to resolve the impasse on world textile trade reform at a meeting in Puerto Vallarta, Mexico, this week, Peter Montagnon writes. This marks a setback, as the meeting was meant to boost the Uruguay Round of multilateral trade talks to which textile trade reform is a central issue.

Mr Frans Andriessen, EC Trade Commissioner, said the EC was worried about deadlocks across the whole direction of the Round. In spite of talking about textiles for an extra two hours, no consensus was reached on a suitable reform procedure or on the obligations this would impose on developing countries.

Ministers were left without time to consider farm trade reform, which many regard as

the Round's hardest issue. The Round's agenda calls for trade in textiles, at present governed by a network of bilateral quotas, to be brought under normal Gatt rules.

The US has upset many trading partners by urging that this be done by shifting from a transitional period to "global quotas," a system backed by its own industry. These are widely regarded as more restrictive than existing arrangements, as more exporting countries would be caught in the net, and importers have arbitrary power to determine individual foreign countries' market share.

Canada alone openly backed the US here, but the US refused to retreat, saying efforts should be refocused on setting detailed targets for

unwinding textile trade curbs. Mrs Carla Hills, US Trade Representative, said this would lead naturally to an agreement on procedure, but support for the idea was limited. Participants claimed this was a ruse to allow global quotas in through the back door.

Some developing countries, led by India, are resisting EC pressure to open their domestic markets to textile imports as part of a deal. The textiles issue has been thrown back to officials negotiating Gatt reform, in the hope that the splits revealed will prompt progress. On US official said it was "improbable" that an outline agreement on textile trade reform could be reached before July, when the shape of the Uruguay Round package should be in place.

Thousands march in Algiers

A MARCH organised by the Islamic Salvation Front (FIS), Algeria's most vocal opposition group brought tens of thousands onto the streets of Algiers yesterday, Francis Ghiles reports. Fears of violence receded after the Front de Libération National (FLN) ruling party postponed a counter demonstration. The FLN organised marches elsewhere, the first time it has done so since the riots of October 1988.

W German envoy on spy charge

WEST Germany has arrested another of its diplomats on suspicion of spying for East Berlin - the fourth exposed this month, it said yesterday. Reuter reports from Bonn.

The federal prosecutor's office said the suspect was a 59-year-old man who had served in Belgrade, Edinburgh, Palermo, Liverpool and Salzburg, and had allegedly spied for at least 15 years.

UK NEWS

The ultimate cost of a dangerous ambition

David White and Victor Mallet on the genius who won posthumous notoriety with his 'super-gun' design

The evil that men do lives after them. The good is oft interred with their bones.

Dr Gerald Bull, the Canadian artillery expert who gained posthumous notoriety as the scientific genius behind the Iraqi "super-gun," may have been no Caesar, but like Caesar (as Mark Antony goes on to say) he paid grievously for his ambition.

Dr Bull, it seems, was unable to challenge the unknown Brutus. On March 22 he was shot dead from behind with a silenced 7.65mm pistol outside his Brussels apartment. The \$20,000 (£12,195) he had with him was sent to his relatives and Western officials believe he was assassinated by an Israeli agent because of his work for Iraq.

The international recognition Dr Bull had sought for his commitment to ballistics and large artillery pieces came less than a month after his death at the age of 52. Eight sections of high-pressure piping seized by Customs and Excise officials on the docks at Middlesbrough last week turned out to be the barrel of a gun, a large part of which could have come only from Dr Bull.

Iraq, which apparently duped the UK Department of Trade and Industry and persuaded at least two British forging companies to manufacture equipment for a "petrochemical plant," already has many of the components it needs for a big gun project, but

to the dismay of President Saddam Hussein of Iraq the man best qualified to make it work is dead.

Dr Bull's Brussels-based Space Research Corporation, the family-owned company said by Britain to have negotiated the deals with British manufacturers, this week declared itself and all its branches defunct.

It was not the first time. SRC - the name echoes the Space Research Institute at McGill University in Montreal, where Dr Bull was a professor - was originally a Quebec artillery company. The company folded after Dr Bull was sentenced to six months in jail in 1980 for supplying howitzer technology and shells to South Africa from US and Canadian plants. It was then reconstituted in Belgium.

Born in Ontario in 1938, Gerald Bull was a brilliant mathematician, a respected scientist and a businessman whose career in ballistics spanned four decades. After working on guns for the Canadian government, he was responsible for the US-Canadian High Altitude Research Project (HARP) when he was in his early thirties.

Dr Bull saw the long-barrelled HARP guns ultimately as a cheap way of launching payloads into lower space. Experiments were used, among other things, for data-gathering in the upper atmosphere. It was also reckoned that this kind of large gun could fire a 600 lb booster-assisted shell more than 1,000 miles. The test bar-



Gerald Bull: career in ballistics spanned four decades

rels, one of them 52.5 metres long, were put together from naval guns. They still exist but the programme was discarded. The sponsors had decided that rockets alone could do the job. Dr Bull found himself in the age of the guided missile.

Yet he remained obsessed with guns, a latter-day Alfred Krupp - that oddball of the Ruhr who spent his nights dreaming up weapons and whose steel cannons won Prussia's war against France in 1870-71. The comparison is not idle; the massive Paris guns made by Krupp's heirs at the end of the First World War fig-

said this week that his father had recently given a series of talks about his book, and remained fascinated by the subject. "He had never abandoned it," said Michel.

An arrogant and erratic genius, Dr Bull by the start of the 1980s was embittered at lack of official support for his ideas in the West. Like others involved in the arms trade, he established opaque corporate networks and made money out of the Iran-Iraq war between 1980 and 1988.

Bull-designed 155mm artillery was supplied to Iraq from South Africa and to Iran from Austria. The Austrian-made gun is in Iraq's possession too, apparently by way of Jordan.

The West was content to watch Iran and Iraq fighting each other in the Gulf as long as the conflict did not unduly endanger oil supplies. After the 1988 ceasefire, however, there was growing concern in London, Washington and Jerusalem about Iraq's continued military build-up.

President Saddam's ambition to lead the Arab world, combined with Iraq's use of chemical weapons in the war and its suspected attempts to procure nuclear and biological warfare technology, are seen as a threat to the tenuous stability of the Middle East.

Until now, much of the West's attention has focused on preventing Iraq from obtaining missiles to deliver warheads and SRC's downfall can be traced back to its public

involvement last year in a UK composites factory with possible applications for missile nose cones.

Dr Gerald Bull and SRC entered a joint venture with the Iraqi-controlled Technology and Development Group, forming companies called Cantra and SRC Composites to buy an unused Belfast factory originally set up by the Lear Fan aerospace company. Britain withheld a development grant and the factory was sold to Short Brothers, the airline and defence group, last year.

When the SRC group closed this week it admitted having a presence in Belgium, Spain, Switzerland, Yugoslavia and Austria, but denied links with the mysterious ATL. According to the British forging companies involved in the gun saga, SRC and ATL provided the specifications for the gun parts and the proposed propellant. ATL thought to have offices in Baghdad, Athens and Brussels, was known as Advanced Technology Institute but apparently changed its name to Amalgamated Trading Industries three weeks ago.

The death of Dr Bull and the publicity surrounding the gun affair were the last straw for SRC. Michel Bull insists that it was concern about the safety of other SRC staff after the assassination and not the gun disclosures, that prompted the closure. Even so, he says SRC's reputation is tarnished beyond repair. "I couldn't get a \$10 loan if I tried," he says.

Yorkshiremen joke about the tubes they forged for Iraq

By Jimmy Burns

THE BIRDS in Sheffield used to fly backwards to stop pollution from the steel mills getting in their eyes, according to local legend. A different joke is now doing the rounds.

In the Wellington Arms pub, just a few yards from the main factory gates of Sheffield Forgemasters, one of the companies embroiled in the affair surrounding exports to Iraq, local workers are teased by girlfriends about their jobs as "gunners."

Mr Harry Holmes, a steel forger employed with the company for 31 years, is unimpressed with the Government's assertion that the company he

works for may have provided Iraq with the capability to develop a large gun. Sheffield Forgemasters has insisted that it believed the pipes it was exporting to Iraq were for use in a petrochemical plant.

Mr Holmes is one of 40 forgers who are now on strike. Their grievance has nothing to do with the "gun," but with bonuses, basic pay and the company's tough management style. On the Iraqi issue, Mr Holmes was unmoved even by Mrs Thatcher's suggestion that his company was to blame.

"As far as I'm concerned we were working on an order for the petrochemical industry and

what is what was delivered."

On the picket line, Mr George McCord, the senior shop steward at Forgemasters, spoke harshly about the management's position on pay. Yet on the Iraq controversy he was sure that blame lay elsewhere.

"The confusion lies with the Department of Trade and Industry. The questions that need to be asked and answered need to be directed there. If they're saying it was a gun, why did they let us build it?"

Nearby, at the gates to the company's plant in Brightside Lane - a large corrugated metal building flanked by walls of Victorian brick - a

security guard now entrusted with the task of blocking access to journalists, could not resist an even blunter personal view: "If you ask me, it's a bloody political scam."

Beyond the shop floor, local business leaders were reluctant to be drawn into political controversy, although they were ready to share a joke. "There are an awful lot of good jokes going round about guns and Sheffield. You can't have a meeting without some joker getting up and asking: have you got a gun for sale," said Mr Hugh Sykes, chairman of the Sheffield Development Corporation.

Mr Harry Holmes points out: "We've been making guns in this town for 100 years. This is where it all started."

Military armaments has formed part of Sheffield's heritage ever since Geoffrey Chaucer noted the belligerent uses of local knives. Sheffield made armour plates for the Dreadnought battleships in the First World War and for the gun barrels used to fire large shells in the same decade.

Before the Iraqi scandal, Forgemasters was one of two companies in the area supplying Britain's Ministry of Defence.

Approaches to management

at the Sheffield plant were diverted through to the switchboard of the headquarters in Rotherham and then back to London, where the company has employed a public-relations concern.

According to Mr Richard Caborn, Sheffield's Labour MP, who is a former employee of Forgemasters and maintains close contacts with the company, senior managers are "shattered" by the events of the last two weeks.

However, Mr Sykes is sanguine about the affair's effect on the city itself. He describes the problems as "a storm in a tea cup."

IMF gloomy on outlook for UK growth and deficit

By Peter Norman, Economics Correspondent

BRITAIN WILL have the lowest growth, highest inflation and the biggest current-account deficit as a percentage of economic size of the Group of Seven leading industrial countries this year, according to the International Monetary Fund.

In its latest World Economic Outlook, which is due to be published next month, the IMF has halved its forecast of British economic growth this year to 1.3 per cent.

In its latest economic outlook, six months ago, the IMF projected 2.7 per cent growth for Britain in 1990. The new figure is approximately consistent with the Treasury's Budget forecast of 1 per cent growth this year and compares with 2.3 per cent growth in the average measure of gross domestic product last year.

The IMF revised upwards its forecasts of British consumer price inflation to an average of 7.2 per cent in 1990. That compares with last September's forecast of 5.5 per cent inflation this year and with last year's 7.9 per cent average inflation level.

Britain's deficit on the current account of the balance of payments is forecast to be 3.1 per cent of gross domestic product in 1990 - unchanged from the September forecast.

In 1989, the UK current-account deficit totalled £21bn, equivalent to 4 per cent of GDP. The IMF forecasts, which are still classified as confidential, are subject to minor revision

before final publication, due on May 7. They came to light when the US Treasury used them in its half-yearly foreign exchange report to Congress earlier this week.

The IMF predicted a further strong rise in the West German current-account surplus to 4.9 per cent of gross national product this year against 4.4 per cent last year and last September's forecast of 2.9 per cent for 1990.

By contrast, Japan's surplus for this year is forecast at 2 per cent of GNP, unchanged from last year, and well down on last September's forecast of 2.9 per cent for 1990.

According to the IMF, Japan will have the strongest growth and lowest inflation of the G7 countries in 1990, at 4.6 per cent and 1.7 per cent respectively.

The Fund has revised upwards West Germany's prospective growth rate this year to 3.2 per cent from its 3 per cent forecast last September. In its testimony to Congress, the US Treasury published the US Government's own forecasts for growth, inflation and current-account deficit in 1990. Taking those with the IMF figures for the other G7 countries, it appears that growth in the leading industrial nations might average 2.8 per cent this year against 3.4 per cent in 1989, while projections show inflation as averaging 3.8 per cent this year against 4.5 per cent in 1989.

FORECASTS FOR THE G7 ECONOMIES IN 1990

Country	GNP%	Consumer Price Inflation%	Current Account%
Japan	4.6	1.7	2.0
W Germany	3.2	2.5	4.9
France	3.1	3.1	-0.3
Britain	1.3	7.2	-3.1
Italy	3.0	5.5	-1.0
Canada	1.8	4.9	-2.7
USA	2.6	4.0	-2.0
G7 average*	2.8	3.8	n.a.

Sources: Draft IMF World Economic Outlook; *1989 forecast; **US and UK figures; † Percentage Change on Previous Year; ‡ In Percentage of GNP.

UK NEWS — EMPLOYMENT

Power workers threaten selective industrial action

By Fiona Thompson, Labour Staff

POWER workers may launch selective strikes to hit crucial sections of the electricity supply network if the employers do not increase a rejected 8.5 per cent pay offer.

Targets for selective action could include the National Grid Company, which runs the national transmission network. The network is owned by the 12 area boards — first in the queue for privatisation in November. Also at risk, it is understood, are the energy management centres of the two generating companies that are heading for privatisation.

Leaders of the four unions representing the 74,000 power workers met yesterday to discuss strategy and to announce the collective result of their ballots on action over the pay offer. Overall, the vote for a strike was 27,719 against 16,959. For action short of a strike, the vote in favour was 42,399 with 4,819 against.

They later held an informal meeting with Mr Roger Farrance, chief executive of the Electricity Association, which represents the employers.

"We asked the employers to seriously reconsider their position with a view to making a substantially increased offer," said Mr Frank Chapman, chairman of the trade union side.

Mr Farrance said he would go away and think about it. Both sides are due to meet formally on May 3, when the unions expect the employers to improve on their offer.

The unions, looking for at least 10 per cent, are counting on employers wishing to avoid disruption before privatisation.

The four unions involved are the EETPU electricians' union, the TGWU and GMB general workers' union and the AUE engineers.

Mr Jim Mowatt, national officer of the TGWU, said yesterday: "Since voting day the ball-game has now changed: the association now has to deal with 20 separate companies. It is a much more convoluted process."

The validity of the unions' ballots for action remains effective until May 10.

Last year, the power workers won a 9.3 per cent pay award after threatening an overtime ban. The last time they officially took industrial action was in 1970-71.

British Rail will meet the unions for further pay talks on Monday after the three railway unions earlier this month rejected an improved 8.5 per cent pay offer.

The unions are seeking a settlement of at least 10 per cent, to satisfy their members' worries about the community charge to higher rents and mortgage payments.

BR has not described the 8.5 per cent offer as final, raising union hopes that it will be improved.

The NUR, the main rail union, said yesterday that unlike last year, when the unions staged a series of one-day rail strikes before an 8.8 per cent settlement was agreed upon, there was a feeling this year that both sides were listening to each other.

British Rail has also said it would agree to talks on reducing the working week to 37 hours on a self-financing basis.

The claim lodged by the three rail unions — the NUR, the ASLEF train drivers union and the TSSA white collar rail staff — is for a substantial increase and a 35-hour week.

Steel union agrees to end national wage talks

By Lisa Wood, Labour Staff

BRITISH STEEL and the Iron and Steel Trades Confederation, the principal steel union representing production workers, have agreed to end national pay bargaining, the company confirmed yesterday.

Initial meetings on the first phase of pay talks at local level are now taking place.

The pay discussions are being held about British Steel's four business divisions: strip products, general steel, stainless and tubular.

British Steel formally presented a proposal to devolve negotiations about pay, working hours and sickness to the union last year. Pensions, it said, would continue to be dealt with by a single national body. The ISTC executive rejected the plan but changed its stance after branch discussions with its membership.

A two-year national pay deal, negotiated in 1988, ended last month. British Steel said it was too early to say when it might achieve any settlements. Union representatives were in local talks yesterday and unavailable for comment.

After the 1980 steel strike, British Steel introduced plant-level bonuses to supplement national pay levels. The company said it believed that development of pay bargaining was a logical extension of plant-level bonuses.

The new bargaining structure for British Steel's 52,000 production workers will be watched by other employers keen to stop national bargaining. Last year, British Rail failed to carry through similar plans in the face of strikes.

BNF's 8.4% offer rejected

By Lisa Wood, Labour Staff

AN offer of an 8.4 per cent pay rise for workers at British Nuclear Fuels' five sites has been rejected by the unions' joint negotiating committee.

Mr Jimmy Airlie, chairman of the committee, said yesterday that BNF had been told that a double figure settlement was wanted.

Facing the spectre of redundancy

Norma Cohen looks at why teachers are fearing for their jobs

THE spectre of teacher redundancies, virtually unheard of in England and Wales, has overshadowed the annual conferences of the nation's largest education unions, prompting calls for a series of strikes wherever teachers' jobs are at risk.

Delegates to both the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers conferences overwhelmingly backed strike action over redundancies, with the first of a series of localised strikes likely to occur within the next few weeks.

Pinning down the extent of teacher redundancies is a somewhat daunting task. After all the hyperbole of last week's union conferences, not a single teacher in England or Wales has actually been fired, although several authorities are clearly considering it.

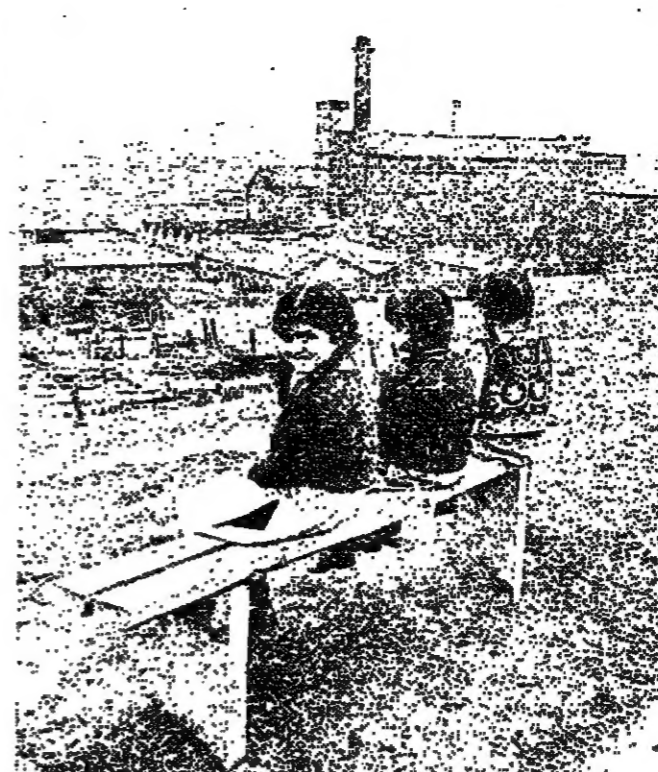
Ironically, the redundancy issue is emerging just as the nation is coming to grips with a teacher shortage. In a report from Her Majesty's Inspectorate of Schools monitoring the progress of primary schools, HMI contended that some were experiencing severe staffing difficulties, thus hindering the successful implementation of the national curriculum.

Traditionally, job stability has been one of the hallmarks of the teaching profession. Even with the demographic shift that has led to falling pupil rolls, teachers have been able to count on alternative employment within the same district, filling slots vacated by those retiring or leaving.

However, changes in the way schools are operated and paid for — which took effect this month — have created widespread anxiety in the teaching profession. In particular, Local Management of Schools (LMS) looms large in the minds of many as the culprit.

And not for nothing. To be fair, only one council, Nottinghamshire, has actually issued notifications of compulsory redundancy that so far could affect some 140 teachers in secondary schools. Other districts, however, are also toying with the figures, which, according to projections from the NASUWT, could add up to 1,500 jobs in the next few weeks.

LMS causes teachers' anxiety on two key points. One, it allocates funds to schools on a



Students in Bradford: teachers there face cutbacks

per-pupil basis, assuming a standard spending assessment that varies with students' age and other variables such as the type of support services needed. But it assumes that similar students at different schools cost the same to educate — an assumption belied by school spending patterns.

Furthermore, LMS gives the power to hire and fire teachers to each school's board of governors. Local authorities, most of which have had no-redundancy policies, could previously simply redeploy teachers to other schools under their control. This is no longer possible.

"Teachers are right to be worried," said Mr Bob Bennett, a spokesman for Sheffield's

education authority, where some 60 jobs out of 4,000 are likely to be shed in the coming term. And while the authority cannot compel local school boards to hire redundant teachers, most of Sheffield's school boards have agreed to first consider teachers on the redundancy list before looking outside the district for staff, Mr Bennett said. However, there is no guarantee that jobs will be found for redundant staff.

Meanwhile, Sheffield is being forced to review its policy of maintaining smaller secondary schools in parts of the district which have had falling rolls, but where closing institutions would have required students to travel long distances. These

schools are far more expensive to maintain than the standard spending allowance per pupil allocated under LMS, and closure could well result in more teacher redundancies.

But because LMS is being phased in over the next three years, local education authorities are still the employers for many schools in their districts and are still able to find places for redundant teachers.

Education Secretary Mr John MacGregor has dismissed reports of widespread redundancies stemming from LMS as "scaremongering" and is urging education authorities to reduce the percentage of funds used for administration and distribute more money to schools. Nationwide, about 32 per cent of each district's funds, on average, are used for central administration, according to the Department of Education and Science.

Meanwhile, some educators argue, LMS has no effect on staffing levels at all. Instead, teacher redundancies are the result of spending cuts as districts struggle to keep their poll taxes below the Government's mandated levels.

"LMS is only a means of carving up a cake," said Ms Linda Cook, headmistress of Belle Vue Boys School in Bradford, which has been operating under LMS as part of a pilot project for the past year. Its size of the cake that matters," indeed, Ms Cook said, LMS has proved a boon for her school, allowing it to save money because goods and services can be purchased more quickly and cheaply.

But Bradford has been beset by budget cuts. The Conservative-controlled council has set the poll tax at £276 — just £2 below the Government's estimate. Now, upper schools are facing reductions of about 100 teachers if additional funds are not found from elsewhere in the authority's budget. And while wastage has provided about 30 to 40 new slots per year, teachers in Bradford for the first time may find that alternative jobs are not to be had in the district.

At Belle Vue Boys', budget cuts mean the school will leave a physical education and an information technology slot unfilled in the coming term, and possibly may result in the elimination of a permanent supply teacher.

Vosper Thornycroft and staff reach deal despite strike vote

By Diane Summers, Labour Staff

VOSPER Thornycroft, the shipbuilder, has reached agreement with unions on a two-year pay deal that will give a 37-hour week from next year. The agreement has come in spite of a very narrow vote by the workforce at the company's Woolston, Portchester and Cosham sites to reject the deal and take strike action.

It is thought that Vosper Thornycroft employees are the first shipyard workers in the country to win a reduction in hours since the start of a national campaign by engineering unions for a shorter working week.

In the first year, the deal will give a 9 per cent pay increase backdated to April 1, plus 1 per cent increase in January 1991.

The second year's increase will be linked to the Retail Price Index. There will be a one-hour cut in hours from July this year, and a further hour's reduction from April 1991.

Union officials yesterday decided to overrule the result of a strike ballot because the vote was so evenly split: out of about 1,200 employees, 580 voted to accept the offer, while 571 were in favour of strike action. Mr Jim O'Reilly, secretary of the local branch of the Confederation of Shipbuilding and Engineering Unions, said officials had decided that there was not a solid enough mandate for a strike.

Mr Martin Jay, Vosper Thornycroft's managing director, stressed that the reduction in

working hours would be self-financing. Over the next two weeks, the finishing touches would be put to plans to make "better use of the working day," he said. Agreements already existed for many of the measures, including the management of overtime — it was now a question of implementing them, he said. The company also hoped to achieve longer-term improvements in working arrangements, including the possible redrawing of shift patterns, Mr Jay added.

● Rover Group confirmed last night that agreement with unions was likely shortly after the weekend on the introduction of the first 37-hour week for manual day workers in the UK motor industry.

THE QUEEN'S AWARDS WILL BE FEATURED IN DEPTH IN THE FINANCIAL TIMES ON MONDAY 23 APRIL 1990

The following award winners will be advertising in this issue

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Baker & McKenzie	British Ceramic Service Co. Ltd	British Steel Stainless
Butterley Brick Ltd	C & S Antennas Ltd	
Caledonian Airmotive Ltd	Chaucer Foods Ltd	The College of Petroleum Studies
Dunhill Scotch Whisky Sales Ltd	Dent Instrumentation Ltd	Fairey Industrial Ceramics Ltd
Gluck Engineering Co Ltd	Ethicon Limited	Laidlaw Drew Ltd
Hunt & Moscrop Ltd	Kodak Ltd	Metrotext Ltd
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Saturday April 21 1990

Monetary policy now

"THE ECONOMY won the Conservatives the last election. There is no small possibility that the slowdown to come will lose them the next." This comment appeared in an FT leader of October 14, 1988. Everything that has happened since confirms the judgment.

"Something has gone quite badly wrong," as Mr Robin Leigh-Pemberton, the Governor of the Bank of England, said two weeks ago. It has, indeed. The great, perhaps unique, opportunity for stable, non-inflationary growth created by the recession of the early 1980s has been frittered away. Between 1986 and 1988 the British economy enjoyed one of those downhill rushes that have occurred in each of the last three decades. Now it is on the hard uphill climb back to stable growth.

Strong pressure

The general picture from this week's statistics on output of manufacturers, retail sales and the public sector debt repayment is of sluggish demand, sluggish output and strong pressure on the public finances. As output growth slows, inflationary pressures surge. Productivity growth in manufacturing was down to 1.2 per cent in the year to February 1990. Not surprisingly, unit costs in manufacturing are rising at close to 7 per cent.

Meanwhile, power workers threaten industrial action; and many unions are waiting to pitch their claims until after they have seen the coming spike in retail price inflation (which could be above 10 per cent). Japanese unions adjust their claims in the light of the stock market fall, even though this may have little real effect on the economy. British unions bring theirs to an inflationary peak, even though a child can see that the real economy is crumbling beneath their feet. Why, one wonders, was economics not a central part of the National Curriculum?

What then was the mistake to which Mr Leigh-Pemberton alludes? He points, rightly, to the poor statistics available in 1987 and 1988, a bitter fruit of the Government's "penny wise, pound foolish" policy of cutbacks in the collection of statistics. He also confesses that "actual interest rates were reduced over a period during which we now see they clearly should not have been". But must it be in obscurity, like a good strip-tease artist, what the Governor conceals is more interesting than what he reveals.

Lessons must, however, be learned. The Treasury knows this, too, which is why a discussion on monetary policy appeared in this year's Red

Book. Yet in the end the Treasury fell back on tried and true M0, narrow money, asserting that it has proved "a timely and generally dependable indicator of current monetary conditions". But M0 is no more than an indicator. Worse, it is a poor indicator. By the time M0 flashes red, the policymaker has already been sitting in the middle of the cross roads for more than a year, with the inflationary traffic bearing down hard upon him.

The Treasury view is that "broad money and credit growth are important indicators" but, alas, the Treasury does not know what they mean. For this reason, it moved to place greater emphasis on the exchange rate, which, "appraised carefully with other evidence, is a sensitive and timely indicator". At the decisive moment, however, in 1987 and 1988, the two indicators - broad money and the exchange rate - gave opposing signals. Unhappily, the wrong one was then chosen.

No wonder people are tempted to hand the whole job over to someone far more competent. Mr Karl Otto Pöhl of the Bundesbank, via full membership of the exchange rate mechanism of the European Monetary System. But the Governor rightly notes that "while the ERM could constitute an alternative discipline, it would not be a soft option".

Hard road

Membership of the EMS would, instead, be a hard and rocky road. It would require a halving in the current rate of wage inflation. The complaints from the IMF on wage inflation in Spain confirm that mere membership of the EMS would not achieve this goal.

There would have to be the same squeeze on the competitiveness of tradeable goods production seen in France between 1983 and 1987. Inflation would then fall, but at the price of several years of slow growth, rising unemployment and, quite likely, a further deterioration in an already poor external position. Finally, if the Government's resolve remained unshaken, inflationary expectations would subside at last. But note that, even after seven years of effort, three month interest rates in French Francs are almost two percentage points higher than in the UK. This is what membership of the EMS is about. If the lesson learned from the mistakes is that a long term disinflationary commitment is needed, well and good. If the UK is looking, instead, for yet another magic elixir for non-inflationary growth, then grievous disappointment is in store.

Just when the investment trusts thought they had safely navigated the most dangerous waters, yesterday's takeover bid for Globe, the biggest trust of them all, brought a reminder that they have still not reached harbour.

At yesterday's price it did not seem likely that the British Coal Pension Funds would succeed in gaining control of Globe. But market conditions could change. All the same, even if they did succeed, it would not represent anything like the hammer blow to the investment trust industry's confidence which the coalmen delivered some 18 months ago when buying another big trust, Touche Berrand Industrial and General (TRIG). That was a brilliantly timed move on the part of the pension funds to exploit both a depressed level of UK share prices and the large discount at which TRIG's shares were then standing relative to the value of its portfolio. At that stage the average investment trust discount was around 20 per cent.

But yesterday Ms Lesley Renvoize, who is in charge of marketing for the Association of Investment Trust Companies, seemed relatively unruffled by the Globe news. Along with Mr Philip Chappell, who has acted as an energetic consultant and propagandist for the AITC, Ms Renvoize has overseen an impressive fight back by investment trusts.

In two years investment trust assets have risen from £15bn to £25bn, admittedly helped by buoyant stock markets around the world. Within the past six months there has been a flurry of 30 or so new flotations, taking the current total of listed investment trusts to 230. The average discount has declined to about 15 per cent, and some specialist funds have actually been trading at a premium to underlying assets.

This renaissance has been the result of several initiatives. A number of management groups, for instance, have looked long and hard at the problem of selling themselves to private investors, and have launched their own savings schemes. By this means investors can bypass the expensive and ineffective traditional method of buying and selling through stockbrokers. Last year more than 60,000 investors subscribed £24m to savings schemes; these are still relatively small numbers, but the trend has been steeply upwards.

With some reluctance, certain investment trust companies with savings schemes have also sought to tap the retail sales channels used by other investment product providers such as unit trusts and life offices. They have begun promoting themselves to independent financial advisers. The last year has seen building 3 per cent commissions into prices, but investment trust companies have come to recognise that effective marketing has to be paid for.

The launch of savings schemes has recently attracted a bonus in the shape of a proposal from the Securities and Investments Board, the top watchdog body for investor protection, that such plans should be marketable as freely as unit trusts and life policies. Up till now, investment trusts have been subject to tough Companies Act restrictions, but in future they may be able to sell savings plans "off the page" even through cold calls by salesmen.

Moreover, investment trusts have benefited heavily from the introduction of personal equity plans (PEPs) and the gradual liberalisation of the rules over the past three years. Many trusts have packaged their shares into special PEPs which offer a new tax efficiency to private investors.

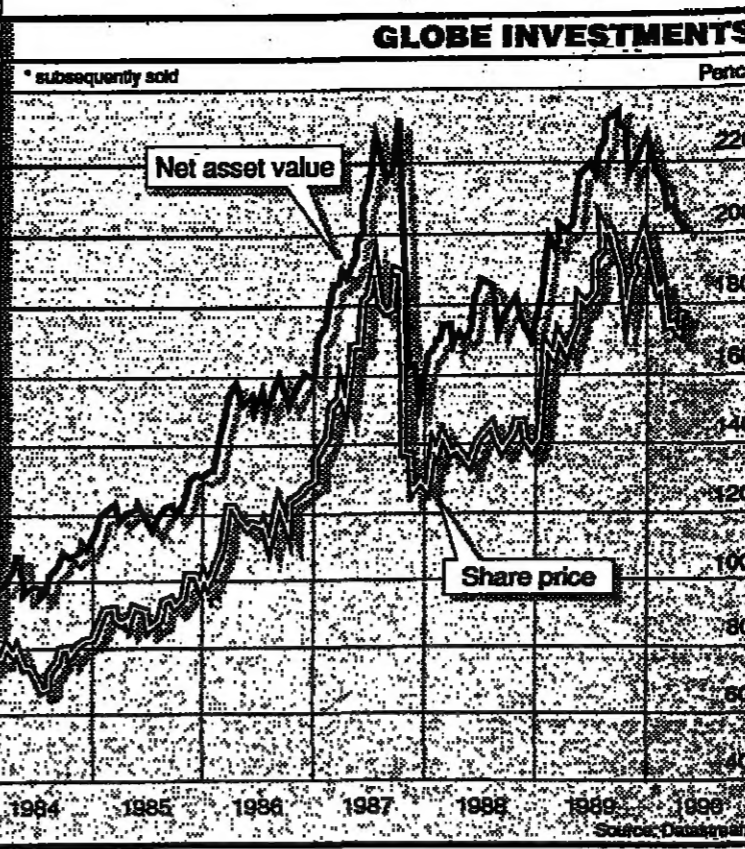
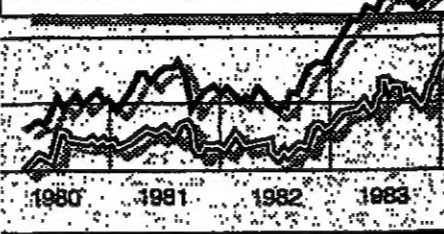
But in spite of the general atmosphere of innovation and expansion, the new threat to Globe points to continuing weaknesses in the investment trust industry. For a start, Globe is one of the stalwarts of the industry. One of its directors, Mr Colin Black, was chairman of the AITC for two years until last year, and Globe personnel are strongly represented on AITC committees. As the biggest trust it is the largest single contributor to AITC revenues.

Moreover, the bid by the coal funds underlines that investment trusts will not easily escape the consequences of allowing big investment institutions to acquire a dominant position on their shareholder registers. Tradition- ally, going back to their origins a hundred and more years ago, investment trusts were aimed at private investors. But over the past 25 years or so the private shareholders have dwindled and something like 75 per cent of the shares have drifted into institutional portfolios. The battle to

British Coal Pension Funds have bid for Globe. Barry Riley reports on the battle for the world's biggest investment trust

Global aspirations

Larger investments	
Market value at 31 Dec 1989	
	£million
QUOTED UK	
Electra Investment Trust	118.9
Clyde Petroleum	24.9
Hanson	24.8
QUOTED EUROPE	
Siemens	8.3
Mannesmann	8.2
Deutsche Bank	7.1
QUOTED NORTH AMERICA	
US Treasury 8.125% Bonds 2019	97.1
Philip Morris	20.7
California Energy	13.7
QUOTED FAR EAST, PACIFIC, AUSTRALASIA	
Nagoya Railroad	5.3
Industrial Bank of Japan	5.1
Sanwa Bank	5.1
UNQUOTED UK & EUROPE	
Isosceles	38.9
Roadpack	12.0
MFI	7.3
UNQUOTED NORTH AMERICA	
Chessa Portfolio	8.5
Protective Treatments	2.1
Charterhouse Equity Partners	2.0



reverse this trend has just begun.

The very size of the combined funds, now at £12.3bn, means that it is not easy to exceed the average investment return for pension schemes. However, the marketable securities portfolio has managed to achieve an annualised return of 15.1 per cent over the 10 years to 1988 against the average of 17.7 per cent as measured by the WM Company, doing even better over the five year period with a return of 16.1 per cent against an average of 15.1 per cent.

However, the situation could change in future. The rundown in numbers employed in the coal industry has resulted in both schemes becoming "top heavy" in respect of the ratio of members to pensioners. The staff scheme has 22,000 members compared with 72,000 pensioners and

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ing that narrowly-based funds would be better constituted as unit trusts which are open-ended and can expand or contract according to demand. Investment trusts are closed-ended, and when their specialisations cease to be fashionable their share prices are bound to plunge to severe discounts to market values.

These are high risk vehicles for investors. The closed-ended structure, however, is better suited to more general investment strategies. A sound, general fund should prove to be an excellent long-term investment for a private investor, much better than an endowment policy with a life company, and significantly better than a unit trust. This is partly because the investment trust's built-in costs are considerably lower - although to the extent that investment trusts are increasingly being sold on the same higher commission basis as unit trusts the advantage could be eroded in the future.

In fact investment trusts have recently been basking in the glory of a tremendous performance throughout the 1980s. The sum of £1,000 invested in the FT-Actuaries Investment Trust Index at the beginning of the decade would have grown to more than £8,300, including reinvested income, by the end of last year. In contrast, the FT-Actuaries All-Share Index showed a return of only about 6.9 times, and the average unit trust trailed in far behind that.

The superior investment trust return reflected not just better investment performance, but also the beneficial impact of gearing and the effect of a reduction over the decade in the discount on underlying assets. In less favourable circumstances these two factors might go into reverse, so investment trusts are inherently more risky than other vehicles like unit trusts.

Still, most investment trusts have a good message to tell. The trouble is, as Globe has found out, it has not yet got though powerfully enough to the private investors who might offer the trust man the prospect of a secure long-term future. Or perhaps it would be nearer the truth to say that the investment trusts have not been able to counter the tremendous financial muscle of the tax-privileged pension funds, of which the £12.3bn British Coal funds represent a leading example.

This is likely to be the immediate reaction of the investment trust industry: that their assets are being hoovered into the tax shelter of a nationalised industry pension, and that the bid proves once again that fiscal privilege is unjustifiably distorting the investment markets. Globe may be the investment trust industry's flagship, but by courtesy of the tax man it is heavily outgunned and is a long way from harbour.

Secret envy of a giant's aggressiveness

A SHREWD investor, or a lumbering mutual investment giant which can only improve on its own lacklustre investment performance by gobbling up vulnerable investment trusts?

Yesterday's bid by Britain's second biggest pension fund group for the country's largest investment trust has again focused attention on the unusually aggressive behaviour of the British Coal pension fund. Mr Paul Whitford, its 41-year-old chief executive, is the latest in a long line of its managers, who have been prepared to disrupt the cosy investment trust world to their advantage. Its action is also a rather reassuring signal for the more nervous investors after the market's 11 per cent fall this year.

"They are buying UK plc at 2050. It is a very good move for the pension fund at these levels," says Mr Roger

Adams, a director in SG Warburg's investment trust department. Many fund managers secretly envy the coal fund's aggressiveness. It is a major task for a fund of its size to outperform its peers by 1 per cent. To be able to pick up over £1bn of funds at a 5 per cent discount is a significant bonus.

"The market will have to fall another 150 points before they begin to look silly," says Mr Adams. The coal fund's aggressive investment stance has worked to its pensioners' advantage. Although the two main pension schemes operated by British Coal - the miners' pension scheme and the staff superannuation scheme - are only guaranteed up to 5 per cent increases a year, the schemes have an unbroken record of paying increases each year matching the annual rise in the Retail Price

Index. These levels put the two schemes in the top benefits bracket. In recent years, the schemes have generated substantial surpluses and have been able to pay these pension increases from the scheme - the miners' scheme has just reported a £942m surplus as at end-September 1989 and the staff scheme, which had a surplus of £589m for April 1989, is due to announce shortly the surplus for April 1989.

However, the Board of British Coal guarantees the finances of the schemes - a guarantee that was called on in the 1970s, when most occupational pension schemes were technically in deficit, and the cost of these RPI pension increases was met by the Board. Thus past evidence shows that the liability requirements have had no inhibiting effect on

investment strategy or performance. The very size of the combined funds, now at £12.3bn, means that it is not easy to exceed the average investment return for pension schemes. However, the marketable securities portfolio has managed to achieve an annualised return of 15.1 per cent over the 10 years to 1988 against the average of 17.7 per cent as measured by the WM Company, doing even better over the five year period with a return of 16.1 per cent against an average of 15.1 per cent.

However, the situation could change in future. The rundown in numbers employed in the coal industry has resulted in both schemes becoming "top heavy" in respect of the ratio of members to pensioners. The staff scheme has 22,000 members compared with 72,000 pensioners and

nearly 15,000 deferred pensioners. The miners' scheme has just over 20,000 members against 272,000 pensioners and a similar number of deferred pensioners, though a large proportion of the pensioners consist of miners made redundant following the strike, with much of their costs were funded by the Government.

Never the less, in both schemes contribution income is lower than the benefit payments and the balance must be made up from the investment income. Ten years ago this was almost unheard of. The need for rising investment income to pay benefits becomes vital as the Board is taking contribution holidays in the schemes.

Eric Short and William Hall

Mr Vytautas Landsbergis is not Moscow's man. It is this fact as much as any other which explains the embattled position in which his republic now finds itself. It helps explain, too, why the neighbouring Baltic republics of Latvia and Estonia have so far remained out of firing range of the Soviet leadership.

The Baltic nationalist movements have kept as titular heads of the republics men who bent before the wind of independence, and whose previous work in the apparatus had not compromised them too much in the eyes of their fellow citizens. But Mr Anatoly Gorbunovs of Latvia and Mr Arnold Rutel of Estonia remain tuned to the modulations of Soviet-republican relations. Mr Landsbergis is not.

It is not just because, at the age of 57, he has had no experience of political power, having spent his professional life as a musical theoretician and pianist at the Lithuanian conservatory. It is also because his habits of mind were formed by a family tradition which includes a grandfather who, as a playwright and journalist, put his pen to the service of Lithuanian opposition to Tsarist rule and was deported for doing so; and a father who was in the anti-Nazi underground. The Lithuanian president has made it clear that he sees Soviet rule as an occupation just as repressive as Tsarism or Nazism, a posture which grates on Soviet nerves.

Mr Landsbergis rose to chair Sajudis, Lithuania's nationalist movement, largely, it is said by his colleagues, through his skills as a mediator between factions which were argumentative, even openly hostile to each other.

But this conciliatory ability does not preclude displays of nerve. He asserted himself as the effective leader of Lithuania before his election as President, has faced hostile audiences of Russians and Poles concerned by Lithuanian nationalism and has in recent days raised the intensity of his

MAN IN THE NEWS

Vytautas Landsbergis

Deaf ear turned to Moscow's tunes

By John Lloyd



arguments against Soviet domination.

He has insisted on the appointment of Sajudis activists to a variety of key posts, slapping down those who - with perhaps unconscious irony, since they are usually communists - accuse him of Stalinist methods in doing so.

He is neither charismatic nor telegenic. And his speeches, though firm, lack both the earthy directness of Mr Lech Walesa or the lofty moralism laced with wit which has distinguished the speeches of Mr Vaclav Havel.

Thus, on the diplomatic front, it is Lithuania's Prime Minister, Mrs Kazimiera Prunskiene - a communist - who has been pushed to the fore, while deputy chairman lead delegations to Moscow. Even the best lines come from Mr Landsbergis' aide and friend, Mr Algirdas Brazauskas, should have become president because he would have placated Moscow while reaching the same goal.

pendence being "like a pair of tights. You either pull them on or you take them off; you can't leave them round your ankles."

Mr Landsbergis more closely resembles his neighbour, Premier Tadeusz Mazowiecki of Poland. They are of similar age, similarly stooped, reserved and religious (though Protestant in Mr Landsbergis' case, albeit in a mainly Catholic country). Yet Mr Mazowiecki has shown, in less than a year in office, a consciousness of both the limits and the scope of his power. Mr Landsbergis has not yet had the chance.

If Mr Landsbergis is not the man for Moscow, is he the man for Vilnius? Many, not just in the Lithuanian Communist Party, have commented that the popular chairman of the independent Lithuanian Party, Mr Algirdas Brazauskas, should have become president because he would have placated Moscow while reaching the same goal.

Now, as the Lithuanians signal daily ever larger compromises on the initially uncompromising declaration of independence of March 11, does not the Sajudis independence movement, and the man it propelled into the presidency, look rash, even foolish?

The final answer to that will be provided by the accommodation Lithuania makes with Moscow. Many interim judgments have concluded that the leadership's inexperience, coupled with its penchant for drama and symbols, have damaged rather than advanced its cause.

The counterview is this. The Sajudis movement, not the independent Communist Party, was the victor in the elections last month to the Supreme Soviet. Sajudis activists, not the Communist Party, first articulated nationalist sentiment and showed the example of nerve necessary for it to be accepted as a feasible, popular platform. The election of Mr

Landsbergis thus more directly conforms to the popular will than elsewhere in the Soviet Union. His mandate is real.

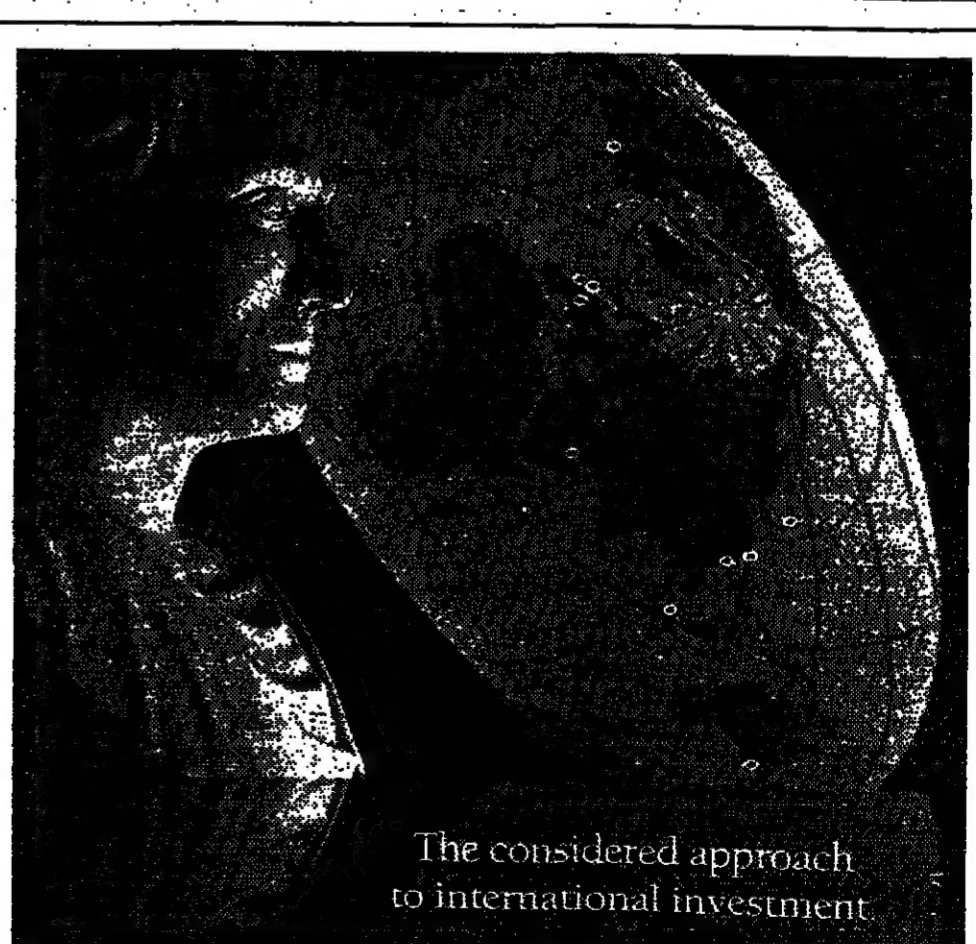
Second, Soviet power, though now acutely conscious of its limits, cannot for the sake of the leadership's survival merely acquiesce in the loss of territory. It thus required a dramatic gesture to make it comprehend the force of feeling in Lithuania: that Lithuania was a free country forcibly incorporated, its own development still-born, its native elites destroyed, its culture swamped.

Soviet leaders acknowledge the failure of the ruthless idealism contained within the concept of "internationalism". In practice they cannot comprehend what will inevitably flourish in the vacuum left by that failure. It will not be an attachment to democratised Sovietism and a belief that economic reform will work. Rather, it will be a search for buried identity together with a desire to join the east European scurry westwards.

Further, the West has been forced to examine both its priorities and its conscience. That cannot mean a jettisoning of its considerable and so far profitable investment of faith in President Mikhail Gorbachev's reforms. It does mean that those western states which have never recognised the incorporation of Lithuania and the other Baltic states into the Soviet Union must now decide how to strike a balance between that attitude and their support for Gorbachev.

In a speech to the Lithuanian Supreme Council on April 2, Mr Landsbergis, commenting on reports that he and his colleagues might revoke the independence declaration, said: "If somebody imagines that 124 people elected for this purpose said yes, and three weeks later would say no, then I do not understand how these people understand the dignity of man."

The President of Lithuania has demonstrated that he does understand it.



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The starting gun for a formidable commercial race will be officially fired on British television screens tomorrow week by Bond - James Bond.

After an introduction to BSB, Timothy Dalton as 007 in the film *The Living Daylights* will lead off the long-awaited - and much-postponed - national launch of British Satellite Broadcasting. Other first-night offerings on the new five channel satellite television service will include the film *Scandal*, a trendy cabaret show, highlights from one of the day's Scottish football games, David Frost, Eric Clapton and Mozart.

For the £1.5bn venture first awarded its franchise by the Independent Broadcasting Authority as long ago as 1986, the launch will be a modest affair. The five channels - movie, general entertainment, sports, lifestyle and pop music - have been available to cable television networks for the past four weeks. But because of equipment delays, very few ordinary consumers will have distinctive flat "Squarials" on the side of their homes by April 28.

The shortage is so severe that yesterday BSB announced it was postponing a £13m national advertising campaign for the launch phase, although BSB believes that as many as 310,000 homes will be receiving its channels on cable and community aerial networks by next Sunday.

But next Sunday's launch, however symbolic, does mean that the direct confrontation between BSB and Mr Rupert Murdoch's Sky Television is now officially under way. It is a confrontation without any obvious parallel anywhere in the world.

Two powerful and well-funded satellite broadcasters will be simultaneously trying to persuade the UK's 21m television households to put up their dishes or Squarials and pay for multi-channel television. BSB alone says it is prepared to spend £100m in advertising over the next three years and a further £200m on all forms of promotion.

One one side stands Mr Murdoch, single-mindedly behind Sky and with all the advantages of an integrated media company whose interests range from five national newspapers in the UK to Fox Broadcasting and Twentieth Century Fox in the US. Although Sky is costing £2m around £2m a week Mr Murdoch has given his satellite venture a five year public commitment.

Ranged against him is a 10 company consortium whose leading shareholders include Granada, Pearson (publishers of the *Financial Times*), Reed International, Chateaux, the French communications group, and the Bond Corporation of Australia, although the financially troubled Mr Bond has long made it clear he will sell his stake - if he can find a buyer.

Mr Anthony Snoddy Gooding, the BSB chief executive, is guardedly optimistic about the launch.

"I think we have a very powerful set of channels that will go well and maybe better than Sky," he says. "We are putting more money into programmes and I think it is terribly important to have a British editorial eye."

BSB has been emphasising its Britishness, and its affinity with "the ethos and architecture" of traditional British

Let the TV battle commence

Raymond Snoddy reports on the BSB launch and its impending contest with Sky



broadcasting compared with the more American feel of Sky.

Over at Sky, Mr Gary Davey, Mr Murdoch's Australian managing director, is predictably unimpressed. "Until now BSB has had the advantage of not existing so they've been able to describe themselves any way they liked. The wonderful high quality British myth is now rapidly disappearing," said Mr Davey.

He added that a week long comparison between Galaxy, BSB's main entertainment channel, and Sky One, both broadcasting about 71 hours a week, showed Sky with only 31 minutes more of American programming.

"They don't have any equipment to make available to anyone. In our view it is still a one horse race until we can see any evidence to the contrary," said the Sky managing director.

Sky Television began broadcasting its four channels in February 1989 from the 16 channel Astra satellite, a satellite that also delivers four other English language channels: Children's Channel, the pop channel MTV, Screen Sport and Lifestyle.

After an initial slow start the sprouting of 50cm dishes all over the UK is testimony to the growing success

of the service although profit is probably still at least two years away.

By the end of last month, according to the FT Satellite Monitor, 639,000 British homes had their own satellite dishes. Sky believes the total for the UK and Ireland is 718,000 and claims to be now available to 4m people in 136m homes when delivery by cable networks is included.

With the help of an increasingly successful door-to-door selling operation, Sky says it is confident more than 2m homes will be getting its programmes by the end of its second year on air.

Perhaps most important of all for Sky, and indeed for the whole concept of satellite television in the UK, has been the reaction of consumers to the gradual scrambling of Sky Movies over the past two months and the imposition of a monthly subscription charge for what was once free. By April 6 Sky had 449,134 paying subscribers and many outstanding orders for decoders.

In addition to the battle over content, the two companies are also rivals in technology. Sky is using the existing PAL television standard, while BSB has chosen the high-cost high-technology option with a D-MAC standard that should provide higher quality pictures.

BSB also has the ability to address each subscriber individually from the satellite and a parental control device that stops children watching unsuitable programmes. As a result, BSB has already spent around £400m to get to the launching pad.

"In my view it is absolutely right to go with the new technology. I have no doubt about that," says Mr Ian Clubb, the BSB finance director who recently put together a £900m financing package for BSB designed to take the venture to profit. Thirty per cent of the money is contingency finance against the possibility that the audience might grow more slowly than forecast.

Costs in the year to April 1991, including outstanding payments on the second BSB satellite due to be launched this summer and payments arising out of Hollywood movie deals, will probably be running at around £1m a day. Most of this will be losses to start with. In the first year of broadcasting revenues of around £50m in advertising and subscriptions are expected.

BSB says it needs to gain access to 3m homes, around 15 per cent of Britain's total, to break even and estimates this will happen in year three or four of its 15-year IBA franchise. By January 1 1990 BSB says it will be in at least 1m homes.

The BSB channels, Mr John Gau, deputy chief executive and director of programmes, insists will be much closer to the BBC-ITV model than Sky.

"The question is who is going to be right. No one knows. But I defy anyone to look at any (BSB) programme in prime time and see the difference with Channel 4," says Mr Gau, a former BBC executive.

There are current American series such as *China Beach* but BSB also has its own soap operas *Jupiter Moon*. Four ITV companies are making programmes for BSB - Scottish, Granada, Yorkshire and Thames - and another, HTV, is supplying library programmes. There is also a deal with the BBC to show old comedy hits such as *Porridge*.

The company has already had one small but satisfying bite at Sky's ankles. BSTV, a cable company with 55,000 subscribers on old narrowband cable systems all over the country, has decided - amid a legal row - to move from Sky to BSB.

Mr Graham Duncan, chairman of BSTV, said he decided to switch because he thought BSB would provide better quality programmes and a better mix of channels than Sky for systems that can usually only take four or five new channels of television. According to Mr Duncan the response to the change so far has been "just excellent" - although there have been subscriber complaints about the loss of American wrestling featured on Sky.

Continental Research which produces the FT Satellite Monitor is forecasting that 5m homes in the UK could have satellite television by the end of 1993. If so, and the British - who still watch television for an average of 28 hours a week - are prepared to pay for extra choice, both the tortoise and the hare could survive the satellite television race.

Clive Cookson and Alison Smith on dilemmas facing MPs over abortion and embryo research

Politicians catch up with science

At the beginning of next week, Britain's House of Commons will once again debate two related subjects that have long raised strong emotions: embryo research and abortion. Only this time, the discussion will have a tangible result. One way or another, the law will be changed to take account of scientific and medical advances.

On Monday, MPs will have a free vote on whether to allow a licensing authority to regulate research on human embryos up to the age of 14 days, or whether to ban such experiments altogether.

The embryo research vote, as part of consideration of the Human Fertilisation and Embryology Bill, is itself a difficult combination of science and ethics. But Tuesday's votes on whether to amend the 1967 Abortion Act with its upper time limit of 28 weeks look set to be even more heated and less clear-cut. Starting from the proposal for a new 34-week limit, MPs will consider a range of possible options, from reducing the limit to 18 weeks to doing away with an upper limit.

Parliament has been slow to legislate in response to scientific developments in these fields. All the numerous private members' bills on abortion have fallen because of the limited parliamentary time available for legislation promoted by backbench MPs.

And the repeated rounds of consultation after the committee chaired by Lady Warnock reported in 1984 suggest ministerial reluctance to bring in Government legislation on this complex issue.

The medical and scientific professions are almost unanimous in their support for research on embryos as the Warnock committee proposed, although a few scientists and doctors say that research on animals and on human tissue would suffice.

carriages; and development of safer and more effective contraceptives.

This week, with perfect timing, one of Britain's leading IVF teams at the Hammer-smith Hospital in London, produced one of the clearest evidence so far of the benefits of embryo experiments - three women who are carriers of serious genetic diseases and yet have healthy pregnancies.

The researchers' achievement in enabling the sex of a test-tube baby to be determined before the embryo is implanted in the mother's womb means that carriers of any of the 200 sex-linked genetic diseases which affect boys, can ensure that they have only daughters.

Research in progress is expected to extend this "pre-implantation diagnosis" to many other genetic diseases. Although existing IVF procedures and pre-implantation diagnosis could continue if Parliament bans embryo research, the researchers say further progress would stop. Scientists working in the 17 UK centres carrying out embryo experiments would transfer to other fields of research or move overseas.

But the "pro-life" lobby says that it is not against research as such, even though it starts from the basis that human life begins at conception, and that hence any experiment on an embryo, at any stage, is an experiment on a living human being.

Sir Bernard Braine MP, the chairman of the all-party pro-life parliamentary group, says the campaign objects to "experimentation that kills the patient." The pro-life campaign says that the research lobby generally has exaggerated the benefits of experiments.

Both sides believe that Monday's vote could be quite close, and will depend on the "uncommitted" MPs, an estimated 80 to 120.

But the pro-research lobby has taken heart since February, when the Lords voted for genetic defects in embryos before implantation; improved *in vitro* fertilisation (IVF) techniques to help infertile couples; new ways of preventing mis-

The fact that the abortion issue is being dealt with alongside embryo experiments has dismayed some of the science lobby. But some of those who now complain about this have themselves in the past used parliamentary filibusters to prevent votes on abortion.

The abortion debate is almost certain to result in the first change to the law on this issue since 1967. But science has moved on since then. There is a widespread feeling that the 1967 law is out of date, not least because it refers back to a 1939 Act which assumed that a foetus could not survive outside the womb before it was 28 weeks old. Most doctors now accept that progress in caring for premature babies means that a foetus could not survive outside the womb before it was 24 weeks old. Most doctors now accept that progress in caring for premature babies means that a foetus could not survive outside the womb before it was 24 weeks old. Most doctors now accept that progress in caring for premature babies means that a foetus could not survive outside the womb before it was 24 weeks old.

Advances in pre-natal diagnosis have also reduced the need for late abortions. This is because medical specialists increasingly carry out genetic tests by examining foetal cells in the eighth week of pregnancy, rather than by sampling amniotic fluid in the 16th week.

The medical profession already observes a voluntary 24-week limit unless the mother's life is in danger. A new statutory 24-week limit, however, would affect not only abortions currently carried out after 24 weeks, but those performed in the 20 to 24 week period since doctors would be cautious about running too close to the limit. It is even possible that a majority of MPs could favour a lower limit.

There are already signs that if the Commons votes for embryo research and for a 24 week or lower time limit for abortion, the losing lobbies may continue parliamentary campaigns to change the law.

Such a prospect is unlikely to encourage ministers to bring forward legislation to tackle other controversial scientific issues, such as restrictions on genetic engineering to treat disease. The votes on Monday and Tuesday may be parliament's last effective word on this area of scientific development for some years to come.

LETTERS

A celebration of skill, courage and partnership

From Sir Stephen Hastings.

Sir, One of the least attractive aspects of this age of little faith is its morbid obsession with physical safety. The article by Michael Thompson-Noel to which you gave such prominence on *Grand National* morning ("The killing game," April 7) was typical.

The clear purpose of this emotive and unbalanced piece was to whip up public opinion against National Hunt racing to a point where legislation might be introduced to ban it. Anyone who has ever ridden thoroughbred horses over fences at racing pace knows beyond doubt that they share the exhilaration and joy of success in partnership. They are conscious of risk, for they know fear. They also share the disappointment of failure. In their own way they know what they are about.

If they do not take it or

turn against jumping they make this very plain and there is no way they will be persuaded to give their all as steplechasers. The only course is to retire them or find them other employment.

The thoroughbred strain is the creation of man. Bred and nurtured to race, it is their natural life. Not more time, man on any animal than by those who train, ride and look after racehorses - often, in the case of National Hunt, for little reward, or for nothing more than dreams of glory.

Mr Thompson-Noel clearly wishes all racing to be safe, and therefore presumably confined to the flat. What does he imagine will happen to the majority of racehorses who for one reason or another do not make it on the flat and thus, as at present, graduate to National Hunt racing? I will

tell him. Many would get the bullet, or descend the scale of usefulness until eventually they find their way into the murky trade in horses for meat or burden - shipped abroad, live, in conditions of appalling stress, to face death or, worse still, the bull ring or the Middle Eastern gharry.

Mr Thompson-Noel should investigate that field if he is truly concerned about cruelty.

But, of course, there is danger. All racing, even on the flat, is dangerous and the Grand National stands at a high level of risk. So what? We should rejoice that there are men and horses eager to face it and those with the devotion and discipline to make this possible.

If, as seems inevitable after this tragic run of accidents in exceptional conditions, those involved in National Hunt racing have to face pressure from

the media, some misguided politicians or a sadly misdirected RSPCA, let them not be deterred. Everything reasonable has surely been done to make the Grand National safe, without destroying it.

The race is a celebration of skill, courage and partnership between man and horse. It is for those who value these qualities, whether they ride, work with the horses, or merely watch on TV. Happily this still seems to include most of us. It will be a miserable and degrading day when it does not.

Instead of whingeing on about supposed cruelty and death, Mr Thompson-Noel and his like should take pride in the fact that the young man who rode Mr Frisk to victory so bravely and so well is also a journalist.

Stephen Hastings, *Millon Hall, Peterborough, Cambridgeshire*

Paying for more or less risk

From Professor M.W. Jones-Lee.

Sir, In her article "Life: is the price right?" *Weekend FT* (April 14) Jane McLoughlin describes the two "preference-based" approaches to valuing life and safety currently used in cost-benefit analysis. The first, she tells us, focuses on "what the beneficiaries would be prepared to pay for having their lives saved" and the second on "what potential losers would consider fair compensation for loss of life."

Were this description accurate then it would be no surprise that it would be difficult to reconcile the two approaches, as suggested by Ms McLoughlin. Specifically, while we are all necessarily limited in the amounts that we would be able to pay to have our lives saved, for most of us no sum would compensate for premature death.

However, as a longstanding advocate of the use of preference-based values of life and safety, I am bound to say that Ms McLoughlin's description is somewhat misleading. What the approaches actually seek to do is to determine what people would be prepared to pay for small reductions in the risk of death or injury or what they would be prepared to accept as compensation for small increases in risk. While empirical work has produced somewhat different values under the two ways of valuing life and safety, I do not believe that these differences are so large as to render the approaches irreconcilable.

From Mr Peter Young. Sir, Jane McLoughlin quotes the value of a human life suggested by the Roskill Inquiry in 1971 as £2,300 and by P&O in its offer for each of those killed on the *Herford* of Free Enterprise in 1987 as £10,000.

In 1951 the Treasury was convinced that zebra crossings were a worthwhile investment on the basis that a life was then worth £10,000. A remarkable consistency at almost 20-year intervals.

Peter Young, *21 Kettle Close, Pound Hill, Crawley, Sussex*

A matter of mathematics

From Mr R. Hall.

Sir, It may come as a surprise to Janet Emery ("All that is missing..." *Weekend FT*, April 14) to learn that the square root of 1 per cent (0.1) is 0.1 (one tenth) and not one ten thousandth (0.0001). Also, even taking her figure of one ten thousandth of the world's population, the number of "advanced mediators" would have to rise to 700,000. If the magic formula of the square root of 1 per cent is to be accepted, this number of ad-

vents is actually 700m, so that the world would have to be Chinese! Perhaps gremlins on the line corrupted the transmission of the magic formula; if they are really after a number of around 7,000, the formula should be 0.1 per cent squared or the square root of 10 to the -12. Not a very inspiring battle-cry even in the land of the multibillion dollar take-over.

R. Hall, *9 Ormond Avenue, Hampton, Middlesex*

Not a cap but a minimum

From Mr P.D.G. Tompkins.

Sir, Barry Riley describes ("The pensions cap that doesn't fit," April 14) the provisions of the Social Security Bill as requiring "pension increases in line with inflation but only up to 5 per cent." Just when you need it most, the protection is capped.

It would be wrong for the public and occupational schemes to view this as a "cap." It is a minimum standard which company schemes will have to meet. There will

be no government prevention of increases at higher rates or in line with the full retail prices index if schemes can afford it and many schemes have been giving rises of more than 5 per cent in recent years.

High inflation does not necessarily worsen the purchasing power of occupational pensions. The 5 per cent in the Bill is at least greater than no minimum.

P.D.G. Tompkins, *Lane Clark & Peacock, 30 Old Burlington Street, W1*

Moorland commons and the right to stray from the path

From Ms Kate Ashbrook.

Sir, Elton Salmon ("Time for a grouse," *Weekend FT*, April 14) considers that if the Moorland Association succeeds in persuading ministers to exclude grouse-moor commons from the public right to roam in the promised legislation on common land, "the outcome will hardly effect the reality on the ground." Not so.

The Conservative Party manifesto promised legislation "on the basis of the Common Land Forum." The forum recommended a right to roam on all commons, subject to limited restrictions and by-laws. Heather moorland commons comprise one third of all English commons. So the Moorland Association's demands, that access to

heather moorland commons should be restricted to footpaths, would be a severe derogation of the forum's negotiated agreement and a breach of the manifesto promise.

People need to be able to wander away from paths on open moorland, perhaps to enjoy a view or natural feature, without being pounced on by landowner or keeper. And if ministers cave in to grouse-moor owners, other interests will demand special measures. The right to roam, which was a vital part of the forum's compromise, will be removed and the package will disintegrate.

The forum proposed that if a common was subject to special circumstances, it might justify special arrangements such as a further restriction on public

access. Each such case would be tested by the Secretary of State. The forum heard evidence from the grouse-moor lobby (there was no Moorland Association then) and agreed specifically to mention that the sporting interest might be a reason for applying for a special scheme.

The Moorland Association has produced no evidence to support its claim that a right to roam on heather moorland will, as Mr Salmon says, "result in erosion of the heather, disturbance of the birds' breeding cycle, and other damage such as fire." Indeed, is not the Moorland Association being hypocritical? It told us how the gamekeepers gas fox cubs with cyanide: an unsavoury activity which is more

likely to be noticed if there is a right to roam.

Public freedom to enjoy heather moorlands will not need close policing, but it will give landowners tougher sanctions than they have at present. Whereas now the landowner's only sanction against public misbehaviour is a civil action for trespass, under the forum's proposals there will be by-laws which carry criminal sanctions. There is a right of access, with by-laws, to some grouse-moors in the heavily visited Peak District National Park, and few if any problems there.

Kate Ashbrook, *General Secretary, The Open Spaces Society, 26a Bell Street, Henley-on-Thames, Oxfordshire*

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UK COMPANY NEWS

Hillsdown in major Canadian expansion

By Clay Harris, Consumer Industries Editor

HILLSDOWN HOLDINGS yesterday launched a significant expansion in North America by agreeing to take control of Canada Packers, Canada's biggest quoted food-processing company.

The merger of the UK food, furniture and property group's Canadian subsidiary, Maple Leaf Mills, with Canada Packers will create a company with annual turnover approaching £400m (£2.1bn). Hillsdown will own 56 per cent of the enlarged group, which the deal values at nearly £1.1bn (£574m).

Mr Harry Solomon, Hillsdown chairman, said the move was a large step towards his company's ambition to become a leading international food group.

After completion, food would account for 85 per cent of Hillsdown's £5.5bn annual turnover.

If passed by Canadian regulators and approved by the two companies' shareholders, the transaction will give Hillsdown control over two of the country's best-known food brands: Maple Leaf poultry and meat products and Black Diamond cheese.

Canada Packers ranks first in many sectors, including cattle, processed meats, edible oils and animal feed, and is a leading manufacturer of grocery products.

Maple Leaf Mills is Canada's largest renderer and flour miller, has a large poultry operation, and owns 67 per cent of Corporate Foods, the

country's largest quoted bakery group.

Mr Solomon said the merger underlined Hillsdown's intention to use Canada as the base for expansion into the US as the free trade agreement between the two countries took effect.

A merger will lead to cost savings through rationalisation of the two groups' far-flung Canadian distribution networks, the removal of capacity in Canada Packers' troubled beef-processing business, and further disposals.

Over-capacity in beef and soaring interest costs were largely responsible for the decline in pre-tax income from £881.2m to £575.5m in the year to March 25 1989. In the first

nine months of 1989-90, income of £512.8m was barely half that reported for the comparable period.

The strengthened leadership which the group would occupy in so many sectors is bound to lead to close scrutiny by federal and provincial regulators. However, Mr Solomon was confident that the authorities were intent on establishing a strong locally-based food industry.

Similarly, although it was possible that a rival might emerge, he said: "Other people might be interested, but I think they'd want to stay with us." Canada Packers' shares were trading 50 cents higher at £813.75 at midday yesterday, compared with Hillsdown's £816.50 partial tender offer. In

London, Hillsdown closed up 5p at 244p.

Hillsdown's stake in the enlarged group will reach 56 per cent through a tender for 20 per cent of Canada Packers' existing shares, involving a cash outlay of £311.5m.

The success of the tender is guaranteed by the commitment of the 29 per cent in aggregate held by the McLean family, which founded the company in 1927, and associates.

Mr Kevin O'Sullivan, Hillsdown finance director, said the deal would be earnings-neutral in the first year, taking into account expected disposal proceeds, which should match the £311.5m in debt coming with Canada Packers.

See Lex

Glynwed bid puts £31m value on Alumasc

By Andrew Bolger

GLYNWED INTERNATIONAL, the Midlands-based industrial group, has made a recommended offer for Alumasc, which values Britain's biggest beer barrel maker at £31m.

Directors, their families and certain other shareholders who speak for 48.1 per cent of Alumasc's equity have irrevocably accepted the one-for-one share offer.

Alumasc shares jumped by 65p to 232p after the announcement. Glynwed shares closed 3p lower at 248p. There is a cash alternative of 225p for each Alumasc share. Full acceptance of the offer would result in the issue of 12.6m Glynwed shares representing 6.2 per cent of its ordinary share capital.

Glynwed makes and distributes commercial catering equipment. It said Alumasc would significantly increase the sale of Glynwed's involvement in equipment for the preparation and presentation of food and beverages and bring considerable experience in products for the brewery industry, to which Alumasc supplied steel and aluminium beer barrels and dispensing equipment such as taps, tube fittings and gas valves.

Glynwed said the combination of its own extensive range of catering equipment and Alumasc's brewery products would provide a strong presence in the catering industry, hotels, and pubs.

Railwater systems form important elements in both Glynwed's and Alumasc's building product manufacturing activities. Glynwed specialises in cast-iron products and Alumasc in aluminium. Glynwed said combined marketing, and in particular the availability to Alumasc of Glynwed's distribution outlets, should strengthen both companies' businesses in this area.

Glynwed also said it believed the engineering skills developed in Alumasc's precision components division would be of wide application to Glynwed's specialist engineering and manufacturing businesses.

In the six months to December 31, Alumasc made pre-tax profits of £2.2m on turnover of £25.3m and earnings per share of 11.7p.

Glynwed, which has a market capitalisation of £506m, reported pre-tax profits of £93.3m for 1989 on turnover of £1.13bn. Earnings per share were 30.6p.

Conditional on the offer becoming or being declared unconditional, a special interim dividend of 2p per Alumasc share will be payable to shareholders on the register on April 19.

Littlewoods profit declines 10% as chain stores suffer

By Maggie Urry

LITTLEWOODS, the privately-owned retail and football pools group, yesterday reported a fall in pre-tax profits for 1989 of 10.4 per cent, from £71.5m to £63.8m. Sales rose 5.6 per cent to £1.69bn.

The group is one of the largest private groups in the UK, and is owned by the Moores family. It has been the subject of speculation recently concerning a supposed row between family members over its future direction. Recently Mr John Clement resigned as chairman and was replaced by Mr Leonard van Geest as a caretaker chairman.

The company said yesterday it could not comment on the speculation.

It had been a difficult year for retailing, the company stated, and it would continue to be a year of carefully monitored cost controls and limited capital expenditure.

The home shopping division recovered the ground lost in 1988, when the postal strike hit profits. Trading profits were £52.4m (£48.5m) a rise of 7.4 per cent. The company said it had increased its market share from 24.8 per cent to 25.7 per cent. However, had debts had worsened.

While clothing sales in the home shopping division were on target, sales of non-clothing lines were affected by the impact of high interest rates.

Chain store business suffered a drop in trading profits of nearly 11 per cent to £22.7m (£26.7m); excluding profits on property sales of £14.7m (£13.4m), they were 25 per cent lower. Sales dipped by 1.7 per cent to £572m despite opening two new stores, re-siting two others, and extending four more, suggesting a significant fall in sales volumes in comparable stores.

The chain of index catalogue showroom shops, which has been built up over the last three years, reduced its losses from £18.5m to £11.2m. Four shops were opened taking the total to 79. Sales rose by 65 per cent to £127m. The group said it expected index to make a profit in future years.

Football pools business, whose financial year ends on August 31, had a 52 week period compared with a 53 week period. Trading profits were lower at £15.3m (£15.9m). Interest charges nearly doubled from £11.9m to £23.6m, because of increased borrowings and higher interest rates.

B&C may be in default on £638m of bonds

By Peter Martin

THE CRISIS at Atlantic Computers "may very well" put its parent, British & Commonwealth Holdings, into default on £638m of bonds, according to the Law Debenture Corporation, which is trustee for the issues.

Mr Christopher Duffett, managing director of Law Debenture, said yesterday that it was studying whether there was an "event of default" on the bonds, and expected to have an answer early next week. Typically, he said, bond agreements provided that when one of a company's major subsidiaries went into default or liquidation, then the parent went into default also.

Law Debenture was establishing whether the three B&C issues contained such clauses. However, he said, they might also contain a clause that provided for default only if the parent was not materially prejudiced by the developments at the subsidiary. Bondholders' interests might actually be helped by the appointment of an administrator at a subsidiary, as has happened at Atlantic.

If an event of default was established, said Mr Duffett, the options open to bondholders were limited. They could sue for repayment, or petition for the appointment of an administrator at B&C itself. But the first course would certainly provoke suits by other creditors. "If we start pulling on the big lever, we could end up with very little for everyone," he said. He added that B&C had been "very upfront" about its problems.

DIVIDENDS ANNOUNCED

	Current year	Date of payment	Current year	Date of payment	Total for year	Total for year
Berry Biscuits	1.5	1.5	1.5	1.5	1.5	1.5
Berry Shredded	1.5	1.5	1.5	1.5	1.5	1.5
Berry Shredded	1.5	1.5	1.5	1.5	1.5	1.5
Berry Shredded	1.5	1.5	1.5	1.5	1.5	1.5
Berry Shredded	1.5	1.5	1.5	1.5	1.5	1.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issues. †Total capital increased by rights and/or acquisition issues. ‡US\$1 stock. §Unquoted stock. ¶Third market.

LONDON RECENT ISSUES

Issue	Amount	Latest	1990	Stock	Closing	Price	±
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

FIXED INTEREST STOCKS

Issue	Amount	Latest	1990	Stock	Closing	Price	±
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

RIGHTS OFFERS

Issue	Amount	Latest	1990	Stock	Closing	Price	±
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

TRADITIONAL OPTIONS

Issue	Amount	Latest	1990	Stock	Closing	Price	±
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100
100	100	100	100	100	100	100	100

Camford surprises Markheath

By Andrew Bolger

Camford Engineering which is the target of a £58.5m bid from Markheath Securities, yesterday forecast that it would increase pre-tax profits by 97 per cent and earnings by 33 per cent for the current year to September 30.

It also forecast payment of engineering dividends of 8.5p per share, an increase of 40 per cent. These were wholly separate from the new annual property dividends of 15p per share, which it promised to pay for the next three years.

Therefore, Camford said, total forecast dividends amounted to 23.5p per share. "On the basis of these forecast dividends the gross prospective yield is 10.4 per cent at Markheath's offer price of 305p per share. This represents an outstanding yield for an engineering company with strong growth prospects."

It added that taking into account the potential net proceeds of sale of the properties, equivalent to 125p per share, Markheath's 305p offer represented a value of only 177p per share for the engineering business and other assets. That represented a "derisory" effective prospective multiple of 7.1 times forecast earnings.

Markheath was surprised by the profits forecast, in view of the bearish tone of the Camford chairman's comments about trading prospects only two months ago.

Camford shares closed 11p higher at 331p. Markheath closed at 30p, 1p down.

FKB issues warning and suspends shares

By Alice Rawsthorn

FKB GROUP yesterday became the latest casualty of the slump in the marketing services sector when it suspended its shares - at 118p - after issuing a profits warning and announcing proposals to seek refinancing.

The group, which is best known for sales promotion but is involved in other areas of marketing, incurred heavy borrowings and earnings - or deferred payments - through a stream of acquisitions in the late 1980s. Some of its subsidiaries, mainly direct marketing consultancies, performed poorly last year and the group has now reached the limit of its credit facilities.

One analyst said FKB was

"typical of the small marketing companies where earnings have peaked at exactly the same time as their operations have run into problems."

Mr Brian Francis, joint chief executive, said FKB had decided to suspend the shares after receiving a preliminary report on its finances from Spicer & Oppenheim, its auditors. Spicer hopes to complete a full audit within six weeks. Last month FKB appointed Mr Jonathan Hagger as finance director to fill the vacancy left by Mr Neil McClure last August.

Originally FKB had hoped to secure the agreement of its banks to extend its borrowings. Having failed to do so, it now hopes to raise around £15m in

additional capital. The group's borrowings have risen to just under £30m. It paid about £20m in earnings in 1989/90 and will probably have to pay around £2m this year.

FKB's banks have agreed to provide short-term support while SG Warburg, its adviser, puts together proposals for the long-term refinancing. This could involve a rights issue or bringing in an external investor. Deutscher, the Japanese advertising agency, has been rumoured as a possible investor. Mr Francis refused to comment on this.

He said FKB was still profitable but the level of profits for the last financial year to March 31 would be "well below"

expectations. Originally analysts forecasted pre-tax profits of £10m for 1989/90, compared with profits of £8.8m on turnover of £65.2m previously.

The group has encountered problems in the US at FKB Direct, its Nashville-based direct marketing consultancy. It also has problems at ADS, the direct marketing company, and BLP, a sales promotion business, in the UK.

Parway Group, the press production company which has also expanded rapidly by acquisition and recently announced a profits warning, saw its shares tumble from 30p to 28p yesterday on concern about its financial position.

Sharp rise in Aviva Petroleum revenue

By Ivor Duce

AVIVA Petroleum, which is controlled by MW Jackson Jr. through MWJ Corporation of the US, has reported a sharp increase from US\$1.85bn to US\$5.78bn (£3.25m) in total revenue for 1989.

This enabled the operating loss to be cut from \$1.72m to \$924,068, despite a doubling from \$3.31m to \$6.7m in total expenses. Other income brought in \$209,007 (£537,859).

Mr D Roberts, chairman, said the company had taken significant steps towards its

intention to create an international oil and gas company through acquisitions, organic growth and mergers.

He said cash flow in 1989 at \$3.2m was significantly higher than in 1988 and had enabled the company to continue its search for appropriate growth prospects.

The after-tax book loss was arrived at after a foreign currency charge of \$1.42m and amortisation of \$2.55m. Tax took \$80,320 (\$34,145).

Sheraton Secs listing suspended

By Clare Pearson

Dealings in the shares of Sheraton Securities International, the property development and investment group, were yesterday suspended pending a clarification of its financial position.

Sheraton said, following a slowdown in sales of completed developments, it was approaching banks and institutional shareholders to put arrangements in place to secure its financial position.

At the suspension price of 39p, the company has a market value of £50m. Last December, the company bought Malvern, a private property company.

First quarter downturn at NatWest US offshoot

By David Lascelles, Banking Editor

NATIONAL WESTMINSTER Bancorp, the US subsidiary of the NatWest group, saw its first quarter earnings halved because of losses on its real estate and commercial lending.

The bank earned \$16.1m (£9.8m) after tax in the three months to March 31, down from \$33.9m in the first quarter last year. The result came after a provision of \$55.9m, nearly three times as much as a year earlier.

Mr William Knowles, the chairman and chief executive, said that with the provisions and the recently-completed

sale of essentially all the bank's remaining Third World loans "we expect earnings to return to normal levels during the rest of 1990, barring a further decline in real estate."

Total assets of the bank, which operates in the New York and New Jersey retail markets, rose from \$19.2bn to \$22.4bn.

Many banks in the north-eastern US have been hit by the sharp decline in the real estate markets, and NatWest's problems in the region have forced it to put expansion plans there on ice.

Weavers fails to find an answer for its survival

THE CHANCES of HS Weavers, the largest writer of liability business in the London market, surviving the crisis at London United Investments, its parent company, have always looked slim.

They looked slimmer still this week, after a meeting on Wednesday of some 40 brokers and other interested parties, called to discuss a possible rescue plan for Weavers and LUI, broke up without reaching a conclusion.

Three weeks ago the Department of Trade and Industry ordered Walbrook Insurance, LUI's main subsidiary, to stop writing new business. Weavers, with a staff of 200, was reduced to processing claims while waiting to see if any rescuer would emerge.

The future of Weavers is important because the complete liquidation of LUI, with claims unpaid and possible litigation by angry clients against brokers, would be a serious blow to the London insurance market.

Even if the business could not be saved as a going concern, brokers and their clients need an orderly payment of claims on old policies as possible, so far as possible, that

claims are met in full. This will be difficult since it was the discovery that the six subsidiaries had insufficient reserves to meet claims, perhaps by a margin of up to £200m, which precipitated LUI's downfall at the end of March.

The most obvious candidate for the role of rescuer of Weavers was Mr John Head, owner of Anglo American Insurance, the London-based company which underwrites 45 per cent of Weavers' business. The other 55 per cent was written by Walbrook.

Based in New York, Mr Head, owner of John Head & Partners, a merchant bank specialising in insurance, bought Anglo American late last year. In the absence of other potential saviours, he seemed to have the best motive for keeping Weavers in business.

At first all went well. Within 48 hours of LUI's shares being suspended on March 26 Mr Head had arranged for Anglo American to takeover the day-to-day running of Weavers. Mr Roger Borley, managing director of Weavers, said: "Following the decision of Walbrook Insurance Company to suspend underwriting, we believe that Anglo American is best placed to assist us and offer a long-term

solution."

The new arrangement did not last long. By last week Mr John Cumming, chief executive of Anglo American, wrote to brokers complaining: "Anglo American is not being involved in Weavers' management or day-to-day operations and its proposals for future claims handling arrangements have not been accepted." The board

of the boom in liability insurance in the US from the late 1980s.

US courts tightened up on the legal responsibility of companies and professions for the ways in which their actions affected other people they sought to protect themselves by taking out liability insurance. There was a surge in premiums and also in

used to produce crippling losses.

Anglo American started writing business in 1987 so it was not affected by the losses. If Mr Head could take over Weavers, or at least its staff and business, without touching Walbrook and LUI he had a potentially profitable business.

He could write liability business. Weavers took in an estimated \$600m in premium income in 1989, without the burden of the old claims.

The problem was that the deal had limited advantages for LUI and Mr Peter Wilson, its chief executive. Mr Head was only prepared to pay book value of about £1m for Weavers. Shareholders, chief among whom are Mr Wilson and other board members, would get almost nothing.

The value of Weavers must diminish the longer it remains in suspended animation. Many brokers have told their clients that they must replace their insurance written through Weavers even if they have to pay more.

Other insurance companies have seen opportunities. In the last three weeks American International Group did business worth \$75m, which would have gone to Weavers. Even if some of this new

capacity proves temporary, brokers will be wary of going back to Weavers. "This market is merciless as soon as there is any sign of a lack of security," said one broker. Others were more forthright: "It is dead. Nobody is going back there."

Tillinghast, the consultant actuaries, are still preparing final figures on the underwriting of six LUI subsidiaries which provided capacity for Weavers up to 1987. These forecasts, given the changeable nature of US court awards, can only be rough estimates.

Even if reserves are, in the long term, insufficient to meet claims, it will take time for this to show through. It is also unclear how far Walbrook and the other LUI subsidiaries are themselves protected by reinsurance for the period when the most costly risks were insured.

It was information like this that brokers and other parties said they needed at the end of the inconclusive meeting about the fate of LUI. For policyholders with protection at risk the exact figures are clearly important, but for Weavers as a going concern they are beginning to look academic.

Patrick Cockburn considers the difficulties faced by London United Investments' offshoot following problems in the rest of the group

LUI formally terminated the agreement April 12.

Aside from personal friction, the more basic reason for the failure of Mr Head's attempt to take over Weavers and its business lay in the difficulty in separating the company from the rest of LUI.

From the point of view of any potential rescuer this separation is vital. LUI and Weavers had originally made their money by taking advantage of

claims. Weavers' speciality was underwriting risks nobody else would take.

The problem was that, in common with other insurers, policies written by Weavers covering environmental impairment, asbestos and professional indemnity ultimately produced large losses. The terms on which policies were written were restricted after 1985 but the so-called long tail of old liability policies contin-

INTERNATIONAL COMPANIES AND FINANCE

Moody's places Citicorp rating under review

By Stephen Fidler, Euromarkets Correspondent

THE credit rating of Citicorp, the largest US bank holding company, and its subsidiaries have been placed under review for a possible downgrading by Moody's Investors Service, the US credit rating agency.

The review covers about \$100 billion of securities issued by the parent company and a further \$70 billion of structured securities supported by Citicorp guarantees or letters of credit.

Moody's said the review would focus on Citicorp's asset concentrations "particularly commercial real estate, highly leveraged transaction and lesser developed country debt."

It said it would assess the bank's capital adequacy and evaluate its "core profitability" bearing in mind the bank's strengths, which include its profitable consumer banking franchise.

Earlier this week the bank reported a 96 per cent drop in net income but raised its dividend by 9.9 per cent, reflecting what it called the "outlook for Citicorp's continuing long-term

revenue and earnings momentum."

It did warn that a high level of charge-offs for the bank's real estate lending portfolio might continue.

Like other US banks, Citicorp faces slowing investment banking revenues as the market for leveraged transactions dries up, adding to problems on real estate and old leveraged buy-out loans and a tougher regulatory environment.

The bank, the largest lender to Latin America, has also not set aside such significant provisions as some other US banks for LDC debt. The bank's chairman, Mr John Reed, has justified this by arguing that, unlike other banks which have no significant retail banking businesses in Latin America, Citicorp continues to want to be active in the region. It was one of the few banks to extend significant new loans in the debt restructuring for Mexico completed last month.

Ferrovia to sell-off 25% Cubiertas stake

By Peter Bruce in Madrid

MORE THAN 25 per cent of Cubiertas y MZOV, Spain's second biggest construction group, is up for sale following a decision by Ferrovia, a rival construction group and holder of the shares, to withdraw from the company following the acquisition of its bid to take control of Cubiertas earlier this month.

Ferrovia, which holds 25.7 per cent of Cubiertas, agreed earlier this week with another big Cubiertas shareholder, the Entrecanales construction family, to hand over its stake. Entrecanales has agreed to place the shares and apparently guaranteed Ferrovia

payment of some Ptas17bn (\$157m), which would mean a Ptas5bn profit for Ferrovia.

It was a counterbid by Entrecanales that brought to an end an effort by Ferrovia's owner, Mr Rafael del Pino, to take over Cubiertas and create Spain's largest construction group big enough to hold its own in the European single market after 1992.

Entrecanales may buy some of the Ferrovia shares in Cubiertas itself, as might other Cubiertas shareholders.

Koor registers \$150m loss

KOOR Industries, the troubled Israeli industrial concern, announced a loss of \$150m in the first nine months of 1989, compared with a loss of \$215m in the whole of 1988, Reuters reports.

The company said most of the loss was due to a \$100m loss by the electronics company Tadiran, the group's main asset, and to the cost of implementing a recovery plan.

Koor, which owes more than \$10m to Israeli and foreign

creditors, is negotiating a big debt restructuring plan. A basic understanding with the banks was reached two months ago but a formal contract has yet to be signed.

Banking sources said that disagreement between Koor and the Government on the size of a promised state guarantee, as well as the Israeli tax authorities' refusal to give the banks tax concessions on the debt write-offs, was holding up a final agreement.

KLM gives industrial espionage a wide berth

By Laura Raun in Amsterdam

APPARENTLY haunted by fears of industrial espionage, KLM Royal Dutch Airlines was not taking any chances this week with its announcement of a quality improvement programme for the 1990s.

Uniformed guards at its sprawling headquarters carefully checked the documents of those escorting journalists to the press conference aboard special buses.

The scrutiny was reminiscent of Berlin's old Checkpoint Charlie - except the KLM guards skipped the undergarment inspection.

The object of all the fuss was the dramatic revelation that, under the motto "Fly the Difference," KLM would become the first European airline to offer wider seats in business class.

Despite a reputation for high quality, KLM admits service has slipped in recent years and competitors, such as Air France, have polished up their business-class service. Stiffer competition, demanding passengers and growing air traffic congestion have called for improvements.

Mr Jan de Soet, president-director, insisted the improved quality would not fuel operating costs, although he often grumbles about high Dutch labour costs compared with those of Asian airlines. One or two extra business passengers on every flight are, apparently, supposed to cover costs so ticket prices will stay the same.

KLM, 38.2 per cent owned by the Dutch Government, is the oldest scheduled airline in the world and among the most global with 148 destinations in 77 countries.

For the 1990s KLM's corporate strategy is to reposition itself among the world's three highest-quality airlines, strengthen its market position, and forge strategic alliances. About 11 bn (\$532m) has been spent recently on deals with Northwest Airlines of the US, Belgium's Sabena, British Airways and other companies.

But the future of the KLM-Basena alliance is clouded by the UK Monopolies and Mergers Commission's review of BA's participation. The true test of KLM's quality programme may come from Dutch businessmen, who resist their cigars like Frenchmen savour cognac.

Cigars and pipes are being banned from all KLM flights but if the initiative backfires Mr de Soet may avoid the heat. He is retiring at the end of 1990 to be succeeded by Mr Pieter Bouw.

It isn't known whether Mr Bouw smokes cigars.

Learjet joins Bombardier's flying team

Bernard Simon and Robert Gibbens on a Canadian group spreading its wings

When Canadair, the Montreal-based aircraft maker, was searching for a new business jet design in 1976, it turned to Mr William Lear, the imaginative founder of Learjet Corporation of Kansas.

Mr Lear's model, however, was smaller than Canadair had in mind. Then, two years later, the American entrepreneur died. Canadair and Learjet continued on their separate ways, each taking what proved to be turbulent, but ultimately convergent, flight paths through the 1980s.

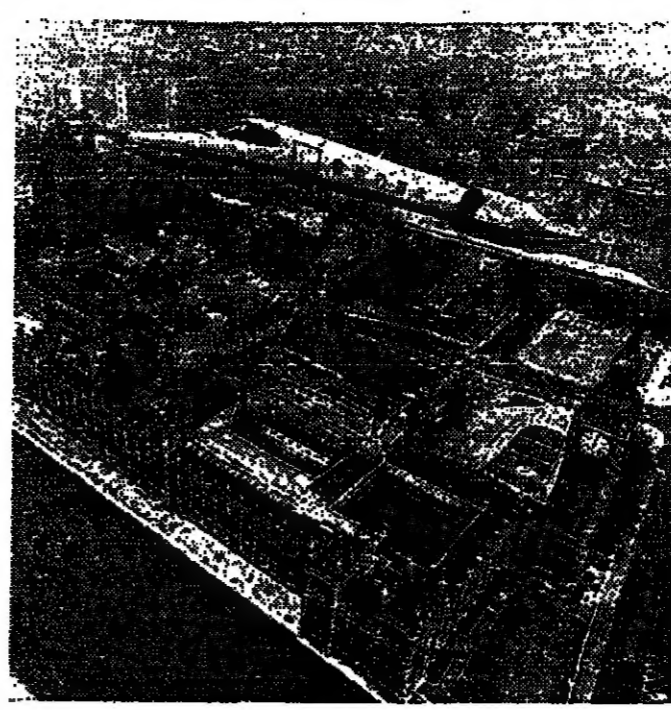
The problems which they encountered have now brought Canadair and Learjet into the same hangar as both find themselves under the wing of Bombardier, the fast-growing Montreal transport equipment supplier.

Having bought a struggling Canadair from the Canadian Government in 1986, Bombardier is paying US\$75m to pluck Learjet from Integrated Resources, the New York-based financial services conglomerate which filed for protection from its creditors earlier this year under the US bankruptcy code.

Bombardier declines for the moment to say what it has in mind for Learjet. Vice-chairman Mr André Bombardier says its plans will be revealed once a US bankruptcy court approves the deal, probably within the next few weeks.

What is clear, however, is that Learjet will markedly broaden the horizons of a company whose founder, Mr Armand Bombardier, broke into the transport equipment business in the early 1930s by converting a Model-T Ford into a snowmobile with rubber tracks instead of wheels.

Bombardier is still controlled by Mr Bombardier's four children, one of whom is married to Mr Laurent Beaudin, the current chief executive.



Learjet: on an ultimately convergent path with Canadair

Learjet will give Bombardier a firmer foothold in the business and commuter aircraft market, and could provide valuable facilities in the US for the other two legs of its burgeoning aircraft interests, namely Canadair and Short Brothers, the Belfast, Northern Ireland, civil and military aircraft maker and defence contractor which Bombardier bought last year.

Learjet has a 1.1m sq ft manufacturing plant and service centre at its head office in Wichita, Kansas, as well as a partly empty aircraft refurbishing and service facility in Tucson, Arizona.

"We think there could be some cross-pollination," said a Learjet official, singling out the sub-contracting work that all three Bombardier aerospace companies do for other suppliers in the industry.

Learjet, for instance, already has substantial business from Martin Marietta for the US space shuttle programme. Canadair is a supplier to the European Airbus consortium. Short Brothers, Canadair and Learjet all do work for Boeing.

Bombardier was a novice to the aircraft industry when it bought Canadair four years ago. Having made its name in the 1960s as a builder of snowmobiles and Ski-Doo's (a scooter on skis), a large chunk of the Montreal company's business still comes from surface transport equipment.

Over the past 15 years it has become especially active in the mass-transit market. Recent orders include a C\$650m (US\$900m) shuttle-train contract for the Channel tunnel and a study into a new generation

of subway carriages in New York City.

Last year Bombardier bought ANF-Industrie, France's second biggest rail equipment maker. Earnings grew by 34 per cent in the 12 months ended January 31 to C\$81.5m. Revenues soared by 50 per cent to C\$2.1bn, thanks partly to contributions from Shorts and ANF.

The group considered making a bid for Learjet as long ago as 1987. But it backed away, fearful of biting off more than it could chew after buying Canadair the previous year and seeing the cash crunch which faced the US company at the time.

The Canadian group has clearly recognised in the past three years that it needs to spread its wings further if its aircraft interests are to reach take-off speed.

The Shorts purchase took it some of the way, widening its exposure to the commuter aircraft and defence businesses.

As Mr Bombardier puts it, "We like to be in a field where we can be in control of our destiny."

Learjet appears to offer more immediate scope for co-operation with Canadair than Shorts. Bombardier's priority in Belfast has been to streamline Shorts by splitting it into four semi-autonomous business units - commuter aircraft manufacturing, components, defence systems, and military aircraft.

Co-operation between Shorts and Canadair has so far centred on exchanges of employees and mutual advice on systems design.

Learjet is not only closer geographically to Canadair, but the products of the two companies make a closer fit. Mr Jonathan Howe, president of the US National Business Aircraft Association in Wash-

ington, notes that "the matching is probably pretty good in the market-place."

Canadair's Challenger jet falls into the category of twin-bodied, inter-continental business aircraft, selling for between US\$10m and \$25m apiece in competition with the Gulfstream and the French-made Falcon. The smaller Learjet occupies the US\$3m to \$10m spot in a larger market where the main competition is the Cessna Citation.

Both Learjet and Shorts could be valuable to Canadair as it moves towards production of its Challenger RJ jet, a 50-seat commuter aircraft based on the business jet's design.

Learjet's US facilities could be a useful selling point for the Challenger RJ and Shorts is expected to make some of the new jet's components.

Canadair has so far signed orders for 128 RJs, and hopes to garner a third or more of the estimated 1,200-unit market for this type of aircraft over the next 10 years.

The Learjet purchase is not without risks. Demand for corporate aircraft is delicately balanced. On the one hand they provide flexibility by freeing executives from commercial airline schedules. But the market is threatened by vigorous efforts to keep smaller aircraft away from big airports and to charge more for the facilities they use.

Canadair is pinning its hopes on gaining a bigger share of what it acknowledges is the slow-growing market for large business jets.

Learjet, for its part, expects that the stability and capital that Bombardier can provide will help create a more secure future for its products. The Kansas company expects to lift sales from 26 in 1989 to 30 this year and to expand production further in 1991.

Caterpillar fall continues despite advance in sales

By Roderick Oram in New York

CATERPILLAR, the world's largest maker of earthmoving equipment, has turned in a 30 per cent decline in first-quarter net profits, its sixth consecutive quarter of falling income.

Sales rose faster than the company expected, by 10 per cent to \$2.94bn from \$2.68bn a year earlier, but higher costs and adverse exchange rates caused net profits to drop to \$69m or 97 cents a share from \$141m or \$1.39 a year earlier.

The profit figure was slightly worse than many analysts had forecast. For the full year they are expecting profits per share to fall to about \$4.70 from \$4.90 last year and \$5.07 in 1988.

Costs rose across the board, notably in wages which were escalating at a rate "significantly higher than general inflation," the company said. Start-up expenses for new-product development, factory modernisation and other programmes also rose.

The company attributed the higher sales to a slight increase in volume, price increases and a \$17m rise to \$71m in revenues from its financing subsidiary.

Domestic sales rose 6 per cent to \$1.35bn. Demand was strong in petroleum and coal mining industries but fell in construction, forest products, metals and non-metals mining.

Amax declines sharply to \$50m

By Kenneth Gooding

REDUCED demand and prices for aluminium and first-quarter net earnings of Amax, the US aluminium, energy and gold group, by more than half, from \$114.2m or \$1.94 a share to \$56m or 90 cents a year earlier. Sales were \$925m compared with \$980m.

Mr Allen Born, chairman, said prices for primary aluminium during the period were about 40 per cent lower than they were at the start of 1989. However, in recent weeks there had been some strengthening of demand.

"We are in a good position to continue to perform well," he added. "As the year progresses we expect the economy to strengthen."

Manville to seek offers for share in platinum mine

By Kenneth Gooding, Mining Correspondent

MANVILLE, the US building materials and industrial products group, is seeking offers for its 50 per cent share in the Stillwater mine in south-western Montana, the only known economically viable primary source of platinum group metals outside South Africa.

Mr Tom Stephens, Manville's president, said there had been numerous unsolicited inquiries from interested parties over the past few months.

Ms Barbara Alexander, managing director for Salomon Brothers, which has been retained to solicit bids, said: "While the property is an extraordinary prize for any mining company, it may be of

even greater value to those who need long-term supplies of platinum or palladium."

Manville's partner in Stillwater is the Chevron group. At full output, about 50,000 troy ounces of platinum and 200,000 ounces of palladium will be refined annually. A smelter to upgrade the mine's raw material is under construction in Columbus, Montana, 40 miles from the mine site.

Manville plans to retain its 5 per cent royalty interest in the revenues of Stillwater's mining operations.

One of the main uses for platinum group metals is in pollution control catalysts, particularly for cars.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year 1990	High 1990	Low 1990
Gold per troy oz.	\$375.25		\$384.5	\$420.25	\$368.00
Silver per troy oz.	308.15	-2.75	335.50	323.50	302.15
Aluminium 99.7% (cash)	\$162.0	+42.5	\$151.0	\$130.0	\$130.0
Copper Grade A (cash)	\$158.1	-129	\$179.1	\$151.0	\$130.50
Lead (cash)	\$498	+10.5	\$385.5	\$790	\$413.0
Nickel (cash)	\$56.25	+8.5	\$159.50	\$102.5	\$80.75
Zinc SHG (cash)	\$1182.5	-34.5	\$1510	\$1172.5	\$1250
Tin (cash)	\$5245	+110	\$10487.5	\$7020	\$8150
Coconut Futures (Jul)	3292	+1	2782	2952	2522
Coffee Futures (Jul)	3292	-18	21097	2737	2357
Sugar (LDP Raw)	\$306.2	-6.2	\$309.4	\$386.4	\$320.0
Barley Futures (Sep)	\$1105.9	-0.3	\$1102.00	\$113.85	\$103.45
Wheat Futures (Jun)	\$1117.0	+0.7	\$1119.4	\$113.00	\$111.00
Cotton Outlook A Index	\$22.50	-0.35	\$4.55	\$2.75	\$3.70
Wool (4s Super)	\$520		\$200	\$800	\$480
Oil (Brent Blend)	\$17.125	+0.15	\$20.50	\$21.975	\$17.525

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)	+ or -
Dubai	\$14.40-4.50 + 0.05
Brent Blend	\$17.10-7.12m
W.T.I. (1 pm est)	\$16.09-6.72m -0.08

Oil products

Crude oil (per barrel FOB)	\$14.40-4.50 + 0.05
Gas oil	\$17.10-7.12m
Heavy fuel oil	\$16.09-6.72m -0.08
Naphtha	\$16.09-6.72m -0.08
Petroleum Argus Estimates	
Other	+ or -
Gold (per troy oz)	\$375.25 -1.00
Silver (per troy oz)	\$308.15 -2.75
Platinum (per troy oz)	\$540.0 +2.25
Palladium (per troy oz)	\$128.35 -0.15
Aluminium (per tonne)	\$162.00 +1.5
Copper (US Producer)	\$158.10
Lead (US Producer)	\$498.00
Nickel (free market)	\$56.25 +5
Tin (Kuala Lumpur market)	\$17.40m -0.05
Tin (New York)	\$5245
Zinc (US Prime Western)	\$1182.5
Cattle (live weight)	\$112.90p -3.41
Sheep (live weight)	\$45.31p -18.6
Pigs (live weight)	\$101.81p

London daily sugar (raw)

Pigs (live weight)†	101.91p
London daily sugar (raw)	\$366.25
London daily sugar (white)	\$446.00
Tate and Lyle export price	\$335.00
Barley (English feed)	£108.5
Maize (US No. 3 yellow)	£138.1
Wheat (US Dark Northern)	£118.9
Rubber (May)♥	56.00p
Rubber (Jun)♥	56.50p
Rubber (KL RSS No 1 May)	229.5m

INTL. COMPANIES

Row flares in US over high-tech deal with Japan

By Louise Kehoe in San Francisco

THE planned sale to a Japanese company of a Silicon Valley supplier of gas delivery equipment to semiconductor manufacturers is stirring up another controversy over Japan's high technology acquisitions in the US.

Hercules, the Delaware-based specialty chemicals and aerospace group, agreed last week to sell its Semi-Gas Systems subsidiary to Nippon-Sanso of Japan for a reported price of \$22m. Semi-Gas is a leading US supplier of semiconductor production gas delivery systems.

Sematech, the influential US semiconductor industry consortium, has, however, voiced strong opposition to the planned sale. Semi-Gas has been involved in development work on behalf of the consortium.

Sematech views the proposed sale of Semi-Gas as detrimental to the US semiconductor industry and not in the national interest.

"We have made our opinions known among our contacts within the US Government," it said. The sale requires government approval from the Interagency Committee on Foreign Investment in the US (ICFIUS) where it could be opposed on national security grounds.

A prime focus of Sematech's efforts to boost the international competitiveness of the US semiconductor industry has been focused on activities aimed at strengthening the "infrastructure" of materials and production equipment.

CIBA-GEIGY, the Basle-based Swiss chemicals group, proposes to withdraw the 1-for-15 rights issue of registered shares to shareholders at announced on February 21 because of a "marked deterioration" of the Swiss stock market and a fall in its own share prices.

The offer to exchange non-voting bearer participation certificates for new registered shares on a 1-for-15 basis is being maintained, as is the decision to open the stock ledger to foreign shareholders.

Registered shares required to meet the stock option plan for management and other employees, which formed part of the package announced in February, will now be obtained by purchase on the stock market instead of through the issue of new shares.

Shareholders will be asked to approve these changed plans at the annual meeting on May 8. The existing rule, under which no shareholder can own more than 2 per cent of the registered share capital, is not being changed.

The rights issue of 363,970 shares, proposed at attractive terms, was intended to compensate shareholders for waiving their rights on the issue of the stock necessary to effect the participation certificate swap and the employee share ownership programme.

Ciba-Geigy said that at current depressed share prices the issue would no longer serve its original purpose.

Explaining the proposed capital increase and the opening to foreign shareholders, the board said in February that with a 400,000 share capitalisation of about SF150m (\$101m) Ciba-Geigy was reaching the limits of the Swiss capital market.

The narrow Swiss market tended to depress share prices. By internationalising shareholdings the company could tap additional potential demand which should, in the long term, have a positive effect on the development of share prices.

After announcing a 17 per cent increase in consolidated turnover to SF20.6bn and an 18 per cent increase in post-tax earnings to SF1.56bn, the board proposed to raise the dividend from SF1.00 to SF1.25, a 25 per cent increase, and participation certificates.

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company held 7.7m ordinary shares of Pirelli & C, making it the fifth largest shareholder in the holding company.

No further financial details of Indosuez's acquisition were given. Pirelli & C. ordinary shares closed yesterday at L630n, down L19 from Thursday.

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FOREIGN EXCHANGES

Safe haven status boosts dollar

TENSION in eastern Europe, involving Lithuania and its attempt to break away from the Soviet Union, provided a nervous background for foreign exchange trading on a generally quiet day. The dollar is regarded as a safe haven at times of rising international tension, and in the absence of any important economic news yesterday the Lithuanian situation was enough to push the dollar higher.

It rose through resistance at DM1.6860 against the D-Mark, triggering stop loss buying orders for the dollar, with the West German currency regarded as particularly vulnerable to any threat to the process of democratisation in eastern Europe and a worsening of international relations.

At the close in London the dollar had advanced to DM1.6885 from DM1.6770; to FF1.6700 from FF1.6585; to SF1.4510 from SF1.4325; and to Y157.80 from Y156.45. Its index rose to 68.3 from 68.1.

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CURRENCIES, MONEY AND CAPITAL MARKETS

Sterling was also helped by a weak D-Mark, but the market is likely to become increasingly cautious next week, in the run up to publication of the March UK trade figures on Wednesday. City forecasts that the annual UK inflation rate could rise above 10 per cent in the next few months underlines the fact that there will be no early cut in bank base rates.

London's interest rate advantage continues to support the pound, but the implications of the double figure inflation are also likely to put pressure on sterling if the general economic picture remains bleak.

Sterling lost 85 points to \$1.6355 against the strong dollar, but rose to DM2.7625 from DM2.7575; to FF1.9275 from FF1.9265; and to Y258.00 from Y257.80. The pound's index rose 0.1 to 67.2.

The D-Mark rose to Y38.45 from Y38.30 against the yen, but was generally weak, remaining towards the bottom

of the European Monetary System. At the London close it had declined to L734.40 from L734.75 against the Italian lira and to FF13.5580 from FF13.615 in terms of the French franc.

The Spanish peseta was very firm at the top of the EMS, prompting intervention by the Bank of Spain to sell the currency against the French franc. The peseta remained well within its agreed cross rate limit, however, and the Bank of France did not appear to join in the intervention.

In Rome a spokesman for the Italian Government said the cabinet is likely to approve the removal of all remaining controls on capital flows next week. France abolished its last capital controls in January and the European Community has given Italy until July 1 to do the same. This will remove one of the remaining declared obstacles to full British membership of the EMS as set by the UK Government.

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FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
\$50,000 face of 100%

Strike	Call	Put	Call	Put
70	0.37	0.49	0.49	0.37
71	0.44	0.50	0.50	0.44
72	0.50	0.51	0.51	0.50
73	0.56	0.52	0.52	0.56
74	0.62	0.53	0.53	0.62
75	0.68	0.54	0.54	0.68
76	0.74	0.55	0.55	0.74
77	0.80	0.56	0.56	0.80
78	0.86	0.57	0.57	0.86
79	0.92	0.58	0.58	0.92
80	0.98	0.59	0.59	0.98
81	1.04	0.60	0.60	1.04
82	1.10	0.61	0.61	1.10
83	1.16	0.62	0.62	1.16
84	1.22	0.63	0.63	1.22
85	1.28	0.64	0.64	1.28
86	1.34	0.65	0.65	1.34
87	1.40	0.66	0.66	1.40
88	1.46	0.67	0.67	1.46
89	1.52	0.68	0.68	1.52
90	1.58	0.69	0.69	1.58
91	1.64	0.70	0.70	1.64
92	1.70	0.71	0.71	1.70
93	1.76	0.72	0.72	1.76
94	1.82	0.73	0.73	1.82
95	1.88	0.74	0.74	1.88
96	1.94	0.75	0.75	1.94
97	2.00	0.76	0.76	2.00
98	2.06	0.77	0.77	2.06
99	2.12	0.78	0.78	2.12
100	2.18	0.79	0.79	2.18
101	2.24	0.80	0.80	2.24
102	2.30	0.81	0.81	2.30
103	2.36	0.82	0.82	2.36
104	2.42	0.83	0.83	2.42
105	2.48	0.84	0.84	2.48
106	2.54	0.85	0.85	2.54
107	2.60	0.86	0.86	2.60
108	2.66	0.87	0.87	2.66
109	2.72	0.88	0.88	2.72
110	2.78	0.89	0.89	2.78
111	2.84	0.90	0.90	2.84
112	2.90	0.91		

AUTHORISED UNIT TRUSTS

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Franchise Fee		Royalty Fee		Advertising Fee		Training Fee		Other Fee		Total Fee	
Franchise Fee	Royalty Fee	Advertising Fee	Training Fee	Other Fee	Total Fee	Franchise Fee	Royalty Fee	Advertising Fee	Training Fee	Other Fee	Total Fee
Franchise Fee	10,000	10,000	10,000	10,000	40,000	Franchise Fee	10,000	10,000	10,000	10,000	40,000
Royalty Fee	10,000	10,000	10,000	10,000	40,000	Royalty Fee	10,000	10,000	10,000	10,000	40,000
Advertising Fee	10,000	10,000	10,000	10,000	40,000	Advertising Fee	10,000	10,000	10,000	10,000	40,000
Training Fee	10,000	10,000	10,000	10,000	40,000	Training Fee	10,000	10,000	10,000	10,000	40,000
Other Fee	10,000	10,000	10,000	10,000	40,000	Other Fee	10,000	10,000	10,000	10,000	40,000
Total Fee	40,000	40,000	40,000	40,000	160,000	Total Fee	40,000	40,000	40,000	40,000	160,000

Marine	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	299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INDUSTRIALS (Miscel.) - Contd.

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1993		Stock	Price	or	Div	Yr
High	Low					
90	90	Tanjong Lp.	90		

17	12 1/2 Anglo-Cominion.....	14 1/2		
65	504 Bond Int'l Gold. ...	517	-6	
37	23 Butte Mining 10c... 7	25	+1	
44	204 Cult. Res Corp. ...	26		
122	352 Cons. Murch 10c ..	50	+3	Q30c 5.5 lb

28	60	Gravel	Res	8	8		
1104	67	Gravel	Res	57	5020	1	
1141	110	Gravel	Gold	110	110	1	
494	35	Homestake Mining	CS	36	3300		
16	10	Homestake Mining	CS	10			
20	14	Homestake Mining	CS	14			
457	335	Homestake Mining	CS	34			
394	4	Homestake Mining	CS	4			
42	6	Homestake Mining	CS	6			
805	501	Homestake Mining	CS	501	18.5	4	

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of security names: α Alpha, β Beta, γ Gamma.

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PHI)	33
Rant Org Ord.....	68
Eng Intnl	37

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The origins of life, the universe, and everything

A REVOLUTION is now under way in our understanding of the universe. It could rival those leaps of imagination that resulted from Galileo pointing the first telescope at the night sky in 1609, or the combined impact in the 1920s of Einstein's theory of relativity and Hubble's discovery that the stars and galaxies are all careening away from each other.

Before the 20th century no-one thought that the universe might have an origin which could be explored scientifically. Although astronomical bodies moved about the sky and even changed with time, scientists assumed that the universe as a whole was unchanging. Its beginnings were regarded as the province of philosophers and theologians.

Then the Hubble-Einstein revolution inspired the Big Bang theory - the idea that the universe originated in a cosmic explosion billions of years ago. Until the late 1960s, this was opposed by the Steady State theory, which held that atoms were continually being created to fill the gaps left by receding star systems.

Mounting evidence for the Big Bang has now convinced most astronomers, although many puzzles remain about that primordial explosion 10bn to 20bn years ago. The new revolution promises to explain exactly how the universe was born, as far back as its first billion billion billionth of a second. (An explanation of why the universe exists and what, if anything, preceded it is likely to remain the province of religion and philosophy for the time being.)

Practical evidence to support this new revolution in scientific thought will come from the world's two most expensive scientific instruments: the US space agency, NASA's \$2.1bn Hubble Space Telescope, and the European Centre for Particle Physics's (CERN's) \$1.2bn Large Electron-Positron collider (LEP). For the riddle of creation can now be solved only by the conjunction of two traditionally different types of scientist: cosmologists, who study the vast expanses of space, and particle physicists, who break matter down into its smallest components.

Their work is separated by unimaginable differences of scale. But during the 1980s they began to establish common ground in the search for an elusive Grand Theory of Everything: a coherent account of how all forces and matter work together. This would indeed be a modern Music of the Spheres, enshrined in mathematics and tested against observation.

It is not surprising that such a Big Question requires big money. Very powerful telescopes are needed to look, not just out into space, but back into time (because the light now reaching earth left the distant stars, atoms, and galaxies billions of years ago). Similarly, the size of the LEP's underground's Circle Line is needed to re-create the intense energies which must have existed in the early moments of the universe.

Clive Cookson explains why the Hubble space telescope and other billion-pound projects are needed to probe the limits of human understanding

The Large Electron-Positron collider, built jointly by the 14 member countries of CERN, in Geneva, Switzerland, was completed last summer on time and to budget - an exception to the rule that "big science" involves big delays and overspending. The machine has already tested the predictions of a theory designed to explain the mechanics of Big Bang - with remarkable results.

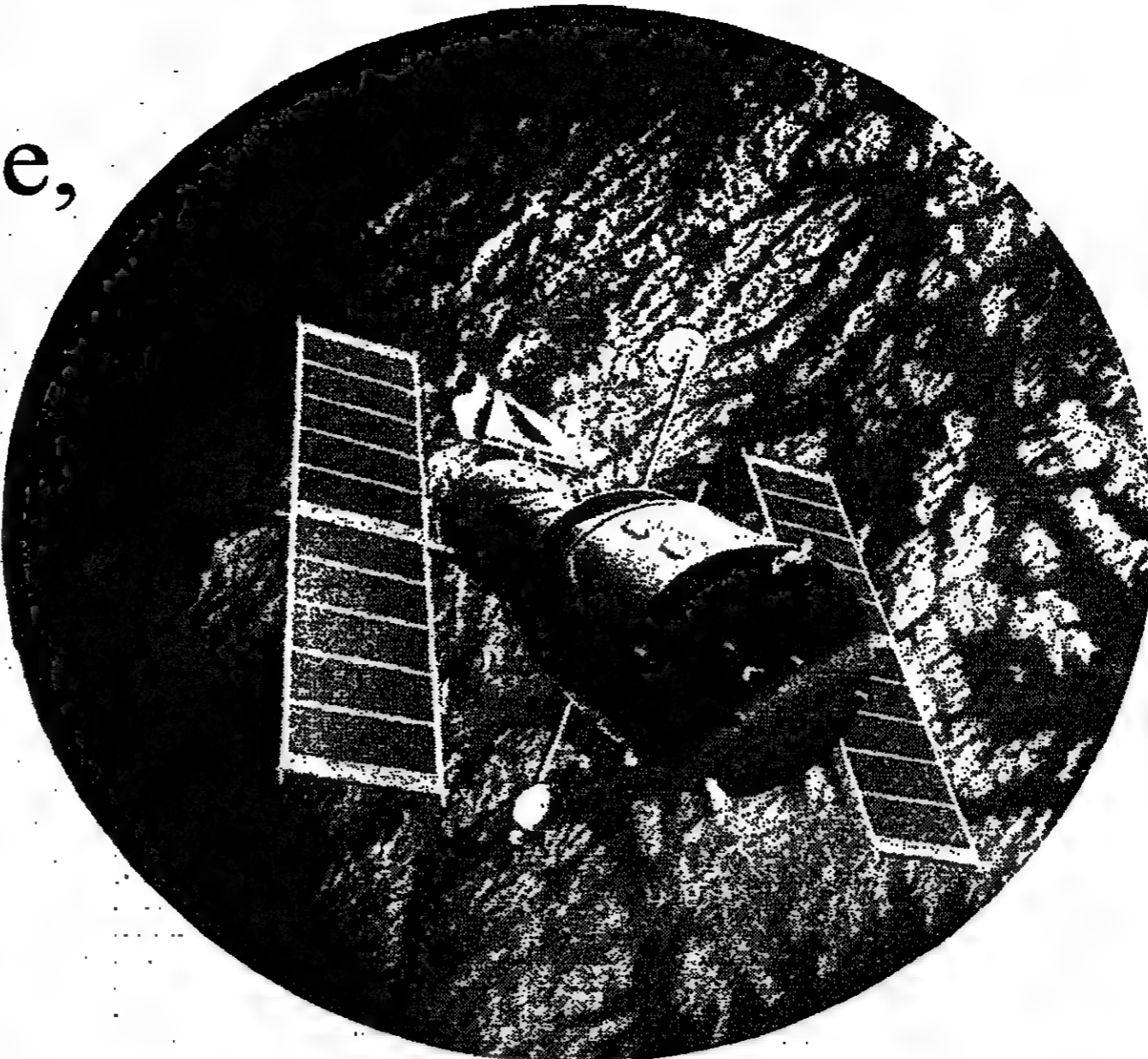
The Hubble Space Telescope, designed in the 1970s and originally scheduled for launch in 1983, is still on the ground. Hundreds of astronomers flew to Cape Canaveral last week to see the Space Shuttle Discovery lift the bus-sized telescope into orbit. But NASA stopped the countdown with four minutes to go because of a faulty power unit. After seven years delay, astronomers will have to wait at least until next week before it is launched.

More than 500 miles above the blurring, distorting atmosphere that makes stars twinkle when seen from Earth, the Space Telescope will be able to see seven times further than the most powerful ground-based observatories, detecting bright objects close to the "edge" of the universe.

Because of the time light takes to travel, the telescope will reveal star systems as they existed only a billion years or so after Big Bang - when the universe was less than a tenth of its present age. Matter had then cooled enough to start condensing into stars. By studying the young universe with the Space Telescope, scientists expect to gain a new understanding of its evolution, and to make clearer deductions about the first fateful moments of Big Bang.

Meanwhile, the giant colliders such as LEP will be accelerating particles close to the speed of light and then smashing them together, to create a burst of pure energy which echoes the state of the infant universe for a tiny fraction of a second. This energy immediately re-materialises as a stream of exotic new particles, just as it did billions of years ago.

In LEP, bursts of electrons and positrons (the mirror image or antiparticles of electrons) race in opposite directions round a 27 kilometre tunnel under the French-Swiss border before colliding. In recent months the collisions have re-created tens of thousands of Z particles - one of the most ephemeral forms of matter, which theorists say must have marked an impor-



tant stage in the Big Bang process when part of the initial burst of pure energy was being transformed into matter. These Z particles disappeared as rapidly as they emerged, a fraction of a second after the creation of the universe, never to re-appear on Earth except in man-made accelerators. Even in LEP each Z particle survives only for a few million million millionths of a second before decaying into a variety of lighter particles.

But this has been enough for the 1,000 physicists working on LEP to produce powerful experimental support for the theory of Big Bang cosmologists.

The Big Bang theory originated in the 1920s when Edwin Hubble, the great American astronomer in whose honour the Space Telescope is named, discovered that other galaxies lie beyond our Milky Way and that the universe is expanding. Light from distant galaxies appeared progressively redder the farther they are from earth, and Hubble correctly deduced that this was because the objects were moving away.

Two observations then led to the undisputed triumph of Big Bang: physicists at Ball Laboratories in the US detected a distant echo of the original fireball in the

form of background microwave radiation coming evenly from all directions of the sky; and radio-astronomers at Cambridge found that the distribution of galaxies changed as they looked deeper into space, thus proving that the universe is changing with the passage of time.

During the 1970s and '80s cosmologists combined Big Bang theory with observations of the relative abundances of different chemical elements in the universe to draw bold conclusions about the fundamental nature of matter. In the '70s increasingly powerful colliders were producing an apparently endless variety of new subatomic particles. As more and more were discovered, theories became bewildered as to their true significance.

By 1980, however, cosmologists were trying to impose some order on this jumble of elementary particles. If their theories of how the universe evolved from Big Bang were to work, the building blocks of matter had to be limited to four classes or fewer. Last year improved astronomical observation of the relative amounts of helium and hydrogen in the universe pointed towards a Big Bang theory, positing only three basic types of elementary particle.

This theory received remarkable confirmation in October 1989 from the CERN

analysis of Z particles. Physicists analysing the narrow range of energies over which these particles are produced from LEP collisions deduced that the basic number of particle types must indeed be limited to the mysterious number of three.

"Cosmologists have been making predictions of this sort for a long time but physicists didn't take them seriously because their numbers seemed rather flimsy," said a CERN physicist. "But suddenly LEP has made cosmological predictions respectable."

The discovery that all matter is made from just three families of fundamental particles (containing 12 particles in all) is a key step towards imposing order on a baffling variety of phenomena and so establishing a theory which can penetrate to the very heart of our universe and its creation.

Since this grand design is now being drawn on the largest canvas in the history of scientific enquiry, it seems odd that the significance of last October's discovery was clouded by an unseemly squabble between European scientists at CERN and their US rivals at the less powerful Stanford Linear Accelerator Centre in California.

The Americans staged a press conference, a day before the CERN scientists

announcement, to say that their experiments showed there were three particle families, even though their data from many fewer Z particles were much less reliable. The quarrel was patched up with self-righteous suggestions that the media had exaggerated it. However, one good result of the rivalry is that intense scientific competition between Europe and America continues to fuel government spending on particle colliders.

Scientific patriotism has become an important motive for the US to build a far more powerful particle smasher, the Superconducting Super Collider (SSC), in an 85-kilometre loop around the small town of Waxahatchie, Texas. Last year the Department of Energy promised that its final cost would be \$5.9bn; this year, with construction about to start, the estimate has risen to \$7bn. It remains uncertain whether advocates of the new accelerator will be able to overcome growing doubts about the project in Congress.

But despite mankind's insatiable curiosity about the distant origins of everything, is the huge expenditure on the "big science" projects really necessary? Critics point to the very large number of small-scale projects that could be built for the money, and indeed many milestones in physics have been planned by those with great genius and slender resources.

However, it is hard to see how progress in the great endeavours of particle physics and astronomy can now continue without ever more expensive instruments, and larger scientific teams. This reflects the fact that the scales of phenomena now being investigated are so many billions of times smaller - and larger - than the familiar objects of the world.

Moreover the prestige of these very big projects is so great that governments would be unlikely to spend similar amounts on smaller scale programmes, even if the big project were abandoned. That is one reason why, after some reluctance, astronomers supported the Space Telescope enthusiastically in the 1970s, as Robert Smith shows in his new history of the project (*The Space Telescope*, Cambridge University Press, £40.00/\$59.50). They saw it as a way of siphoning some of the multi-billion dollar space budget into astronomy. "The Space Telescope is costing 100 times as much as a ground-based observatory, but the point is that it's different money," says Sir Francis Graham-Smith, Britain's Astronomer Royal.

And a big project such as the Hubble telescope can catch public imagination with a sense of wonder and awe that such fantasies may be sublimated to the understanding of man. As Sir Francis says, even after all the delays, the Space Telescope "is still a real inspiration to the American people."

International enthusiasm for the Space Telescope may be measured by the fact that astronomers requested a total of 11,000 hours observing time on it in the first year: the Space Telescope Science Institute in Baltimore, which is scheduling the various observations, has been able to allocate only 1,200 hours. (Even so, 20 hours have been set aside for amateur observers, who have a long and honourable tradition of astronomical discovery.)

Apart from the profound puzzles about Big Bang and the Unified Theory of Everything, astronomers will be using the Space Telescope observations to help answer a wide range of questions. For example: How old exactly is the universe and how fast is it expanding? Current estimates of the rate of expansion (the Hubble Con-

Continued on Page X

Poor relations lose in the FSA jungle

"I HOPE that the value of independent advice will become better understood," Sir Gordon says. But for all the expressions of pious hopes, the availability of independent financial advice to the public continues to shrink, while tied agents and direct salesmen prosper by hawking the products of single companies. Nobody ever intended the Financial Services Act to have such an effect but this has turned out to be possibly its most dramatic consequence.

In fact, Sir Gordon Borrie, director-general of the Office of Fair Trading (OFT), has a cautious satisfaction with the health of the independent financial advice (IFA) sector in one of the two reports he published last week (from which the quote comes). But, in the other, he renewed his call for tougher disclosure by IFAs of their commissions, a requirement which most such practitioners are convinced would kill off a large part of their business.

I have a lot of sympathy for Sir Gordon's unyielding stance on disclosure, but it needs to be combined with a clearer analysis of the impact on independent advisers. Some people argue that their role is so valuable that they should be protected even at the cost of putting up with traditional life company obscurantism. But if IFAs indeed cannot stand up to the strains of a transparent relationship with their clients, then perhaps they have not been doing their job properly and we should not be

too sentimental about the demise of most of them. An OFT survey indicates a drop in the proportion of the life assurance business channelled through IFAs from 60 per cent in 1987 to a projected 45 per cent in 1990. Sir Gordon expects the trend to continue, and it will not be reversed unless there is a wider appreciation by the public of the value of independent advice.

He criticises the regulators for failing to make the public sufficiently aware of the difference between IFAs and tied agents. But it is scarcely the regulators' function to carry out a marketing exercise on behalf of independent advisers. It would be possible to come to a harsher judgment: that, as a group, IFAs have failed to impress the public with their expertise and professionalism.

I would reserve my own main criticism of the regulators to two other areas. One was the false start over the imposition of a maximum commission agreement on IFAs. Although this was in due course dropped under pressure from Borrie, for a crucial period it meant that life companies were able to pay much higher commissions to tied agents than to IFAs.

In a curious way, the IFAs submitted willingly to the commission curb because they were nervous of their ability to cope with the conflicts of interest with clients arising from negotiated undisclosed commissions (a clear sign of their lack of professionalism).



Barry Riley
In a way that the legislators never intended, many of the independent intermediaries have become casualties of the Financial Services Act

The effect was that IFAs started off in poor relations with the world go, although commission levels eventually were freed to jump by some 20 or 30 per cent last year.

The second criticism remains very much in force: it is over the imposition of the strict polarisation rules which force intermediaries to be either completely independent

or completely tied. This has confined the retailers of investment products within a quite unnecessary straitjacket. Protecting investors by seeking to restrict their choice is a poor method.

To me, it has long seemed inevitable that traditional small practitioners' life business would become confined in the long run to a modest up-market sector relying on fees rather than commissions. Already, in fact, most life company endowment business has gravitated to the banks and building societies, leaving IFAs confined mostly to personal pensions.

In more enlightened circumstances, though, it would have been possible for us to see the emergence of mass market financial retailers also offering an IFA service of a simplified kind. This would have permitted the preservation of one of the most attractive features of the investment industry in the UK: the presence of a number of highly competitive institutions under pressure to market innovative products through independent outlets.

Compare this, for instance, with the cosy and sluggish German market where clients generally receive poor value and a distinctly narrow choice. But the disastrous polarisation rules have cut off this opportunity and are leading us inexorably towards the German situation.

In all other product areas, retailers are allowed to sell own brands alongside a selection of the best products origi-

nated independently. Most apart from the odd Marks & Spencer, choose to do so. Why should financial products be so different?

Essentially, because the regulators have felt unable to apply more liberal regulations to big financial retailers than to small firms which would howl about discrimination. So I suppose liberalisation will be postponed until there are hardly any small firms left to be protected.

Among the major banks, only National Westminster remains committed to independent status. Of the building societies, Bradford & Bingley, the ninth largest, is the biggest to have resisted a tie. The banks, by and large, were not willing to dispose of their in-house life and unit trust companies. The building societies have decided that independent advice rates a zero as far as their average customer is concerned. After all, the big building societies have much more powerful and reassuring brand names than those of life companies or unit trust groups.

As for the small practitioner IFAs, they have to get over to the public the message that they can save people money and find them better investments. Perhaps they will find it easier once it becomes evident that some of the bank and building society own-brands product are performing badly. Then the merits of independent advice might be better appreciated; at least, Sir Gordon Borrie hopes so.

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MARKETS

London

Champagne eases the pain of redundancy

DOWNING several crates of corporate champagne seems an appropriate anaesthetic against the pain of unexpected job cuts. On Tuesday and Wednesday, that was how employees of Atlantic Computers, the stricken computer leasing subsidiary of British & Commonwealth Holdings, fended off the ministrations of administrators to the company - surrounded by the trappings of 1980s success.

For small investors, facing up to the austere 1990s with share portfolios of large, highly-borrowed companies like B&C, it must have been a frightening sight.

Bar the Atlantic employees, B&C shareholders had the worst of the week, beginning on Easter Sunday when news about Atlantic began to break and ending prematurely on Tuesday morning when the group's shares - once worth 565p - were suspended at 53p. It has, however, been a

gloomy four days' post-Easter trading for all equity investors. Nobody is escaping from the UK with shopping trolleys full of salvaged bric-a-brac just yet, but the delicate equilibrium that was keeping the FT-SE 100 index in a narrow trading band has been given a sharp nudge, with Footsie slipping below the 2,300 barrier for the first time since last November.

The index ended the week down 35 points at 2187.1, recovering slightly yesterday from Thursday's trading which had seen Footsie slip more than 21 points to 2194.7.

The psychological value of 2,200 was never likely to prevent such a breach, but the question now is whether an historic dividend yield of a fraction under 5 per cent for the whole market will be enough to entice institutions back into British equities.

Figures from the Bank of England on Thursday showed that institutional investment

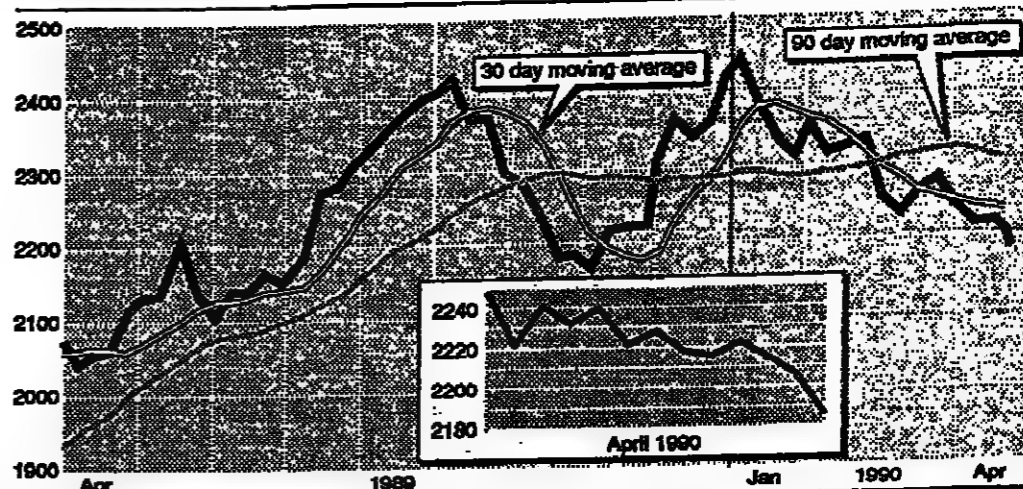
in the UK equity market was at its lowest for seven years. Certainly, there was precious little evidence of fund managers on the trading floor this week, with volume again very low.

That is not to say funds have been resting on their laurels. One guide to institutional sentiment was provided when the British Coal Pension Funds - among the UK's largest institutions - bid for Globe Investment Trust.

The funds, which already manage assets worth £12.3bn, mounted their £1.03bn offer yesterday morning, having pushed their stake in Globe above 30 per cent in Thursday's depressed market.

Investors should be heartened by the willingness of a major pension fund to invest such a large amount in a portfolio founded on UK equities. The predators put an estimated value of £1.05bn on Globe's assets and the bid is at a 6 per

FT-SE 100 Index



cent discount, so perhaps that is an indication of the level at which institutions might be tempted by the underlying stocks and shares.

That is the simplest analysis of the Globe bid - that funds want UK equities, without wanting to pay latest market prices - but there are complications. Globe's portfolio also includes property and cash, and the trust disputes the predators' valuation of its assets.

Moreover, institutional ambitions are bound to be tempered by a number of other factors. They include the yawning chasm between bond and equity yields - the reverse yield gap - stretched still further this week by the malign influence of the US bond market, which is concerned about a possible rise in domestic interest rates.

The gap is now only slightly narrower than in the summer of 1987, just before the October crash.

In the UK, the most worrying inflationary pressures are building up in the labour market, where companies seem to be entering the inevitable second stage of the vicious circle: grim forecasts of the continuing rise in inflation are bringing unions back to the negotiating table with stronger demands.

This week, Wednesday's better news for the Government on output and retail sales - both are slowing - was offset somewhat by increases in unit

labour costs for manufacturers and news that Britain's power workers were planning their strike strategy following the rejection by their union of an 8.5 per cent pay offer.

Last week's building, property and retailing nightmares were echoed this week by a further spate of profits warnings and slumps. But there was also new evidence that the effects of high interest rates were seeping into other sectors, including design (Michael Peters registered a first-half loss) and radio.

Yorkshire Radio - one-time darling of a once-glamorous sector - warned that a drop in advertising revenue would hit its half-year results. The announcement probably looked familiar to shareholders in television companies, which have suffered from similar volatility in the capricious advertising market.

Leasing is proving a difficult business, too, as B&C will confirm. High interest rates have also hit the asset leasing division of the small financial services and motor dealing group Equity & General, which called in administrators to receivers at its leasing arm the day after the B&C announcement.

The unbundlers were also out and about this week. BAT Industries revealed on Thursday that it would sell its US department store chain, Marshall Fields, to Dayton Hudson of Chicago for \$4.65bn as part of its struggle against Sir

James Goldsmith's Hovland consortium.

Sir Ron Brierley, meanwhile, is urging shareholders in Vickers to de-merge Rolls-Royce Motors from the company's engineering and defence interests, on the ground that Vickers is a mere shadow of the great engineering operation it once was.

Survival seems to be the priority. The tattered tail-end of the results' season is providing confirmation that a strategy of selective selling could be the key to shareholders keeping their heads above water in the drifting market. Food retailers and distributors, for example, are holding out against the cut in discretionary spending - as both William Low and Albert Fisher demonstrated this week. Stop buying food and you starve; stop buying new Austin Bead clothes (profits down 14 per cent last year) and it will be a while before you freeze to death.

Wise shareholders will also be alert to the imminent arrival of annual reports, preparing their magnifying glasses to scrutinise the small print. In the present economic climate, some groups can gloss over stretched cash flow and extensive short-term borrowings for only so long. If 1990-91 proves to be the year when the glass begins to crack, then it could take a while for Footsie to revive.

Andrew Hill

FINANCE & THE FAMILY: THIS WEEK

B&C: the shock waves continue to spread

THE SHOCK waves from the crisis at the British & Commonwealth Holdings group, revealed this week, are spreading far and wide. First to be hit have been the customers and work force of Atlantic Computers, the group's computer leasing subsidiary, where 180 redundancies were announced. But shareholders also are suffering, while a number of financial organisations dealing directly with the public are likely to come under new ownership as B&C is broken up. Terry Dodsworth examines the ramifications - Page III.

... but there's a heat wave, too

IF YOU THINK the investment climate is chilly, you could be wrong. We are almost having a heat wave, says veteran stock market analyst Roger Nicholas, and to back his theory he has produced what he calls a "market thermometer" as well as a study entitled: *Market Indicators: Facts and Fallacies*. Barry Riley investigates - Page III.

Inducements galore

HOW WOULD you like to buy shares in a company that would give you capital appreciation in line with the stock market, dividends yielding 12 per cent gross per annum, and the extra inducement of special stock that might out-perform the FT Index by leaps and bounds? Or would you prefer income of 6 per cent over the rate of inflation, along with the possibility of better-than-average capital growth? Terry Dodsworth explains how it's done - Page IV.

Expatriates face tax trap

AN ADDITIONAL two million expatriates will have the right to vote in the UK's next general election but they face the possibility of falling unwittingly into a tax trap. Peter Garland explores the problem - Page V.

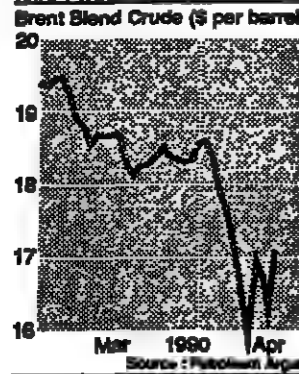
Power to the people

WHEN INSURANCE ombudsman Julian Farrand presents his first annual report next week, it is expected to show that he upheld many more complaints from the public last year than did his predecessor in 1988. Sara Webb reports - Page V.

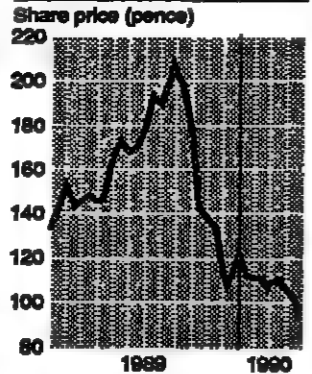
BRIEFCASE: Delayed bill held nasty surprise

Page V.

Oil price



Asda Group



See-saw week for oil

OIL PRICES prices saw-sawed violently this week as the market tried to see its way clear of a huge surplus of ready supplies. The surplus was built up during months of over-production by the Organisation of Petroleum Exporting Countries. Prices leapt on Thursday when Opec announced an emergency meeting of ministers on May 2, just as they had fallen steeply the day before. That drop was prompted by a meeting between the oil ministers of Saudi Arabia, Kuwait and the United Arab Emirates which produced only vague suggestions that production would be cut - not enough to convince weary traders. Steven Butler.

Asda worries investors

ASDA, the UK supermarket group, fell below the psychologically important £1 level on the stock market this week on speculation that its distribution system was in difficulty and recent trading had been poor. But Asda moved quickly to deny the suggestions, saying that it had good Easter sales, and City analysts tended to agree. They said Asda was starting to get to grips with its distribution system and some also felt its recent losses had been overdone. More worrying to investors, though, was the talk that Canada's Belzberg brothers had reduced their stake to less than 5 per cent. Earlier this year, the Belzbergs were rumoured to be orchestrating a bid for Asda. By midday on Friday Asda was at 89p, down 13p on the week and 123p below its high of last autumn. Jim McCallum.

Top executives quit Ivory

IT WAS all change this week at Ivory & Sims, the Edinburgh-based fund management group. Barely a month ago, managing director David Ross was telling the FT that the company had enjoyed a period of stability. Now, he and four of his fund management colleagues have walked out to set up their own business. Graeme MacLennan, the investment director, also left. "A sad day for Scotland," said another Edinburgh fund manager when the news came out. Ivory & Sims, was one of the stalwarts of the Scots investment management business, but during the 1980s it suffered from a long spell of poor performance and staff defections at the top. David Waller.

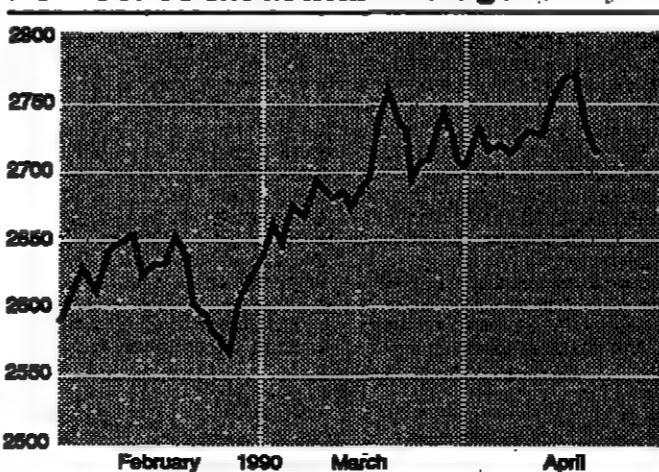
An index-linked seminar

EVER FELT confused by the profusion of indices available? If so, you might be interested in a seminar on *Investment Indices and Related Issues* on May 30 at the Institute of Actuaries' Staple Inn Hall, High Holborn, London WC1. The cost is £190 and details are available from David Golder at the institute (tel. 01-242-0106). Sara Webb.

Wall Street

Inflation fears rock prices

Dow Jones Industrial Averages



That said, the computer sector has produced some pleasant surprises this week.

IBM's 12.4 per cent rise in first-quarter earnings per share (to \$1.81) was some 20 cents ahead of the analysts' consensus and included some recovery in sales in the depressed domestic market. Any euphoria was, though, held in check by the knowledge that IBM had shipping difficulties in the same quarter a year ago, and this somewhat flattened the latest results.

But the week also produced reports of modest US revenue gains from NCR and Tandem Computers, while Digital Equipment, the second-biggest US computer manufacturer after IBM, announced its first rise in domestic sales in four

quarters. Digital's profits were down 30 per cent - but it had set everyone's expectations so low that the shares bounced up in relief that the company was still in the black.

The sector's results led some of the braver analysts to suggest that the computer industry could be on the way back from its long domestic depression. But others, with their eyes on the slow growth in the economy generally, feared the improvement might fizzle out later in the year.

Still, there was no mistaking the trend in the banking sector as growth after growth reported last first-quarter earnings and higher provisions and write-offs for problem loans.

Citicorp, the largest, announced a 56 per drop in net

Junior Markets

Radio signals a downturn

COMMERCIAL radio used to be one of the most dynamic sectors of the stock market, and the United Securities Market, where eight such companies are quoted, saw more than its fair share of the action.

But, six months ago, the sector fell under the cloud of the gloomy news emerging from both advertising agencies and television companies. This is because, along with television, commercial radio responds rapidly to changes in advertising revenues.

The sector was dealt a further blow this week when Yorkshire Radio Network warned that interim results to end-March would be substantially below last time's \$819,000 because of a 17 per cent fall in total advertising revenue from January to March.

The following day, Crown Communications, which owns London Broadcasting (LBC), announced it was eliminating at least 70 jobs. In part, the cuts reflected efficiencies created by a move to new premises, but Crown linked the axing of 40 jobs to the downturn in radio advertising revenue.

The announcement did not hurt Crown's share price greatly - but this was because the market was prepared for bad news following a warning in February from chairman Christopher Chataway about the gloomy trend in advertising sales.

By contrast, Yorkshire's shares plummeted 55p to 77p and dragged a number of other USM radio companies down, too. GWR, which spans the south-west and the Thames valley, finished the week at 383p, down from 435p on Tuesday morning.

Need the market have been so alarmed?

One of the most striking aspects of Yorkshire's warning was that advertisements placed by national advertisers were 45 per cent down in March on the previous year.

Yet it is important to remember that the comparison with the previous year is distorted by Easter, a key advertising period, which fell in April this year and March in 1989.

But Yorkshire's statement also showed it was suffering a downturn in revenue of a greater magnitude than the "Easter effect". The question is whether there has been a downturn of the same magnitude at other companies.

No, believes Jane Anscombe, analyst at Barclays de Zoete Wedd. She does, however, expect most companies to have seen some year-on-year deterioration, at least during the first three months of 1990.

Martin Dickson

Laing & Cruickshank's Bennett: "The maximum value of the portfolio with planning permission (although very unlikely) could be as much as £280m, while the value of the portfolio without planning permission would be £100m."

By these estimates, then, the £750m target would seem to be not unattainable. But the group will have to do more than realise assets if it is to survive. It must also try to ensure that its problems do not impair performance at its main money-generating businesses. Should cash flow at the likes of Exco and Oppenheimer begin to lag behind expectations, then presumably the level of interest payments that is deemed to be comfortable will have to be adjusted in turn.

Failing a slide in interest rates, this would require further debt repayments and more deposits. The group's survival appears to hang by the slenderest of threads.

STORMY FUTURE FOR B&C: Page III

David Owen

B&C's survival hangs by a thread

daunting than it appears at first. The group has already raised nearly \$300m since the disposal programme was unveiled, leaving it to realise a further \$450m from remaining operations by mid-1991.

Atlantic's cutting adrift has left B&C essentially with a five-pronged operation, together with a substantial property portfolio and sundry investments.

The five prongs are, respectively, money broking - the nearest thing it has to a core activity and the sector in which John Gunn, the chairman-turned-chief executive, cut his teeth; investment management; banking; so-called professional services; and development capital.

The group confirmed this week that banking - comprising British & Commonwealth Merchant Bank with a capital base of \$20m, and Provincial Bank with a capital base of \$40m - would be the first of these to go on the block. Esti-

mates of the division's worth are around £120m-£130m, which would cut the sum required for the group to meet its designated target to, say, £330m.

The combined value of the businesses in the Abaco Investments professional services division is put at only \$70m of which Hampton's, the residential estate agency, would contribute the largest single chunk.

The group last year received an informal offer for Hampton's but not at a satisfactory price. The agency's value now is estimated at £30m.

The rest of Abaco's quiver of operations comprises insurance broking, loss adjusting, and providing a variety of technical consulting services. Insurance broking is reckoned to be a readily saleable business, while B&C's loss adjusters - headed by Toplis & Harding - might, it is thought, bring in about £7m.

In terms of investments,

Singer & Friedlander - the merchant bank - has said that it would buy-in B&C's 10.4 per cent stake "at the right price," raising perhaps a further £14m. Certain of B&C's other diverse holdings have been up for sale for some weeks, however, which is unlikely to augur well for their eventual selling price. London Forfeiting, in which it has a 40 per cent stake, announced last month that it had made a 1989 pre-tax loss of \$8.8m.

A further £120m or so could be raised by disposing of Oppenheimer Management Corporation, B&C's US mutual fund management company, which is recognised generally as an exceptionally reliable income generator, but Gunn would "love" to keep the operation if at all possible.

None the less, he took the opportunity afforded by this week's Atlantic-related press conference to bring the business - which has caused "not a spot of bother" during its

time in the B&C stable - to the attention of prospective buyers.

The Exco International money-broking business, the jewel in B&C's crown, could fetch about £270m by present estimates. Its sale might well herald the end of the road for B&C as a going concern. Though the unit contributed almost 40 per cent of the group's \$50.3m operating profit in the six months to June 90.

The principal joker in the pack is the value of the property portfolio. In B&C's 1988 annual report, the estimated completed value of the property in its development programme was said to be "approaching £300m." Of course, property prices in central London, where the bulk of the sites are located, have fallen considerably since then.

The prospect that planning permission might be obtained on certain properties is another variable of considerable significance. According to

For instance, national sales houses have developed, audience research has advanced and splitting of frequencies has enabled broadcasters to target listening groups more closely.

Clare Pearson

FINANCE & THE FAMILY

Heat wave ahead

IF YOU think the investment climate is chilly, you could be wrong. We are almost having a heat wave, says veteran stock market analyst Roger Nicholas. But he has had to invest his own thermometer to prove it.

Nicholas once was famous in the City of London as the man who knew everything about the Rank Organisation at a time, late in the 1960s and early 1970s, when it was one of the London equity market's most widely-followed growth stocks. Then he disappeared suddenly from the scene following a bout of ill-health.

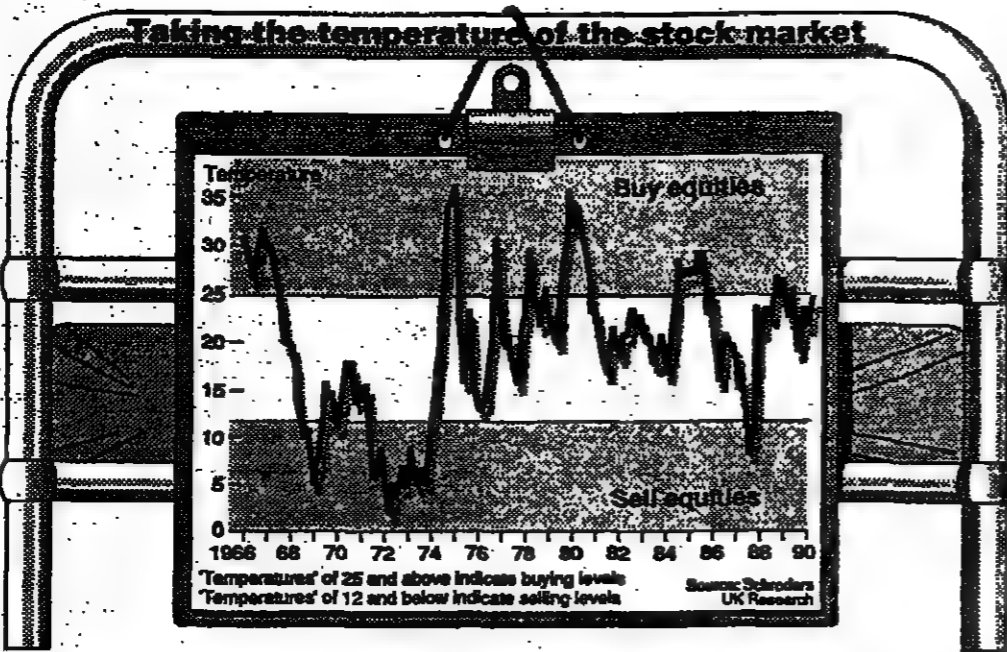
Although, in retirement, he continued to maintain a personal database of long-term market statistics.

Now, happily, he is back in the City at Schroder Securities, tackling the biggest stock market poser of all: when is it market cheap and when is it expensive? And he has produced a study entitled *Market Indicators: Facts and Fallacies*.

This week, the London stock market has been drifting down through the 2,200 level on the FT-SE 100 index - a level that many chartists regard as critical. Significant downward penetration would be viewed by many people as very bearish. But Nicholas sees it differently. He says any downside is limited and shares are attractive on a medium-term view.

To arrive at this judgment, Nicholas has scoured his database to find useful market indicators. He has investigated factors such as the rate of inflation, short-term interest rates, the behaviour of sterling, the gold price and the so-called "reverse yield gap" between gilt-edged and equity yields. But he has thrown out all these and more as just about useless in terms of reliable predictive value.

On inflation, for instance, he points out that while it varied between 7.5 and 21.5 per cent between 1977 and 1982, the equity market fluctuated little in real terms. One rule is that share prices perform badly in real terms when inflation is in double figures for an extended period. Another is that share prices tend to be firm when inflation is below 5 per cent. But, in general, the connection



between inflation and share prices is erratic. What about dividend yields? The yield on the All-Share index is sometimes of value as an indicator, says Nicholas. If it ever gets down as low as 3.25 per cent, sell. If it goes above 6 per cent, you can be pretty confident about buying. For most of the time though, dividend yields do not give a very strong signal.

What if the All-Share yield is 5 per cent, as it happens to be at the moment? "It is not necessarily a bargain," Nicholas says. "A year later, investors

Barry Riley examines a new diagnostic tool for share watchers

may be looking at equities yielding 6 per cent just as easily as they could see a 4 per cent. So much depends on the political and economic environment.

Still, the dividend yield is one of three indicators which Nicholas considers are worth pursuing. The others are the yield ratio and the annual rate of increase in real dividends.

He defines the yield ratio as the ratio between the Financial Times-Accumulated high coupon long-dated gilt-edged yield index and the All-Share index yield. This ratio is now about 2.4 and has been rising. If it should get up above 3.0, as it did in the summer of 1987, it would be a sign of dangerous overheating in the equity mar-

ket. On the other hand, Nicholas has noted 15 occasions during the past 14 years when the ratio has slipped below 2.0. Each time, the All-Share rose over the next 12 months. As for dividends, Nicholas has plotted the course of nominal dividends but found these not particularly helpful in supporting market predictions. When adjusted for inflation, however, dividend growth becomes much more significant. Real dividends declined in 1981 and 1982, the period of a severe squeeze on industry, and the stock market was sluggish. Since the mid-60s, though, real dividend growth has been 10 per cent or more each year and the market has been strong.

According to Nicholas: "While the rate of increase in real dividends is not always the decisive factor - October 1987 proved that it is nevertheless a very powerful force driving equity markets."

Now for the tricky bit. Based largely on these three parameters, Nicholas has constructed a "market thermometer." Exactly how he is not saying, but he has published a chart of the thermometer reading, going back to 1966. Anything above about 25 is regarded as attractive, and anything below about 12 a warning signal.

Only three major sell signals would have been given in the past 24 years - in 1968, 1971 and 1987. But there was a whole series of buy signals from late 1974 onwards. This was justified in terms of later market movements, but it might have been even clearer to set the buy temperature at

30, which would have emphasised the more dramatic opportunities in 1974, 1981 and 1984. The market thermometer now shows 25 - thanks, one guesses, largely to the still-high level of real dividend increases, because the dividend yield and yield ratio are close to their long run averages. This reading, says Nicholas, "suggests that UK equities are attractively priced and can be bought with some confidence that they will show appreciation over 12 to 18 months." Yet, strangely, he lacks total confidence in his own indicator.

The problem is that on several occasions, ratings of 24 and 25 have been the prelude to lower prices and even more attractive buying opportunities," he adds, more cautiously. What makes him worried is the possibility of a global liquidity squeeze. This could keep interest rates high and lead to a higher yield ratio. The dividend yield on equities could go up but real dividend growth, year-on-year, could fall from 10 to 5 per cent over the next few months. The combined effect would be a fall in the level of the market thermometer by a point or two.

"We conclude that the London market is likely to go lower over the next six to nine months - but probably not much more than 10 per cent lower," is his overall verdict. "This, after all, would be consistent with the message from the market thermometer. There is, thus, no reason why investors should not pick up good stocks in attractive sectors over the next few months."

Atlantic shock waves threaten stormy future for B&C

THE SHOCK waves from the crisis at the British & Commonwealth Holdings group revealed this week, are spreading far and wide. First to be hit have been the customers and work force of Atlantic Computers, the group's computer leasing subsidiary, where 180 redundancies were announced this week following B&C's decision to write off £500m against losses in the division. But at the same time shareholders are also suffering, while a number of financial organisations dealing directly with the public are likely to come under new ownership as B&C is broken up.

First, the shareholders. Is there anything they can do? Only two and a half years ago, in those far-off days before the stock market crash of October 1987, B&C was riding high on the crest of the financial sector's popularity. Its share price then reached 565p; today it is suspended at 53p. So if you happen to be one of the holders of the shares you have suffered a pretty serious setback.

For the moment, you have virtually no way of extricating yourself from this position because dealing in the shares is suspended. What action you take when they start trading again depends very much on whether you opt to take an additional gamble and stay with the stock in the hope that it will recover.

Analysts are all at sea about the worth of B&C following its dramatic surgery at Atlantic. But almost no one in the City believes the group should be valued at as much as the 53p-a-share suspension price. Laing and Cruckshank, for example, says the company is only surviving because it is being kept afloat by its banks. Others suggest the shares could settle down in a trading range of between 5p and 30p, or the group could be taken over.

This variety of predictions from the analysts is not quite the cop-out it may seem: the group has not produced a balance sheet for over a year and the City is now eagerly waiting for the new accounts which B&C has delayed beyond the original publication date next week.

If you hold one of B&C's two convertible stock issues you are in a similar position to the ordinary shareholder. These shares have also fallen through the floor, although not quite as dramatically as the ordinary stock - convertibles are inherently less volatile because of their guaranteed return in the form of interest or dividends on the preference stock.

The market disquiet over the B&C convertibles is amply under-scored by their soaring yields. The biggest of the two issues, the £200m 7% per cent convertible loan, now has a current yield of around 18.7 per cent, while the smaller £150m 4% per cent convertible preference share is yielding 22.5 per cent - the highest available in the convertible market. Each of these stocks offers you more security than B&C's ordinary shares: nevertheless the way in which their prices and yields have moved indicates considerable uncertainty

about B&C's future. B&C plans to weather the crisis by selling off most of its assets to reduce debt. But if it were to go into liquidation, banks would have the right to the first payment - they are owed around £300m - followed by holders of the £230m loan stock, then the owners of the convertible loan and Caledonia Investments, with which B&C has special debt arrangements amounting to £23m. After these rank the convertible preference holders, followed, last of all, by the ordinary shareholders.

"The convertibles certainly provide superior protection," said one dealer yesterday. "But this is still not somewhere you want to be if you have a strong reason to think that the company will be going out of business."

The other way in which B&C's future might affect you is through subsidiaries which it could sell as part of its slimming cure. Among the businesses which might change hands are:

Two months ago, Mr Malcolm Wilde, managing director of British & Commonwealth Merchant Bank, announced the acquisition of Chase Manhattan's private

Terry Dodsworth assesses a crisis which has left City analysts all at sea

client stock broking business. The deal was intended to strengthen BCMB's own stock broking subsidiary - Stock Group. "This is a buyer's market," he said.

B&C, which owns BCMB and therefore Stock Group too, is no doubt hoping this is still the case. BCMB is up for sale. So far, several prospective buyers, of both UK and foreign extraction, have "expressed an interest," Mr Angus Samuels, Stock Group's chief executive, thinks it likely that Stock Group will be sold as part of BCMB rather than sold separately.

Stock Group's attractions to a prospective buyer are its investment managers and its rich clientele. Rivals may lick their lips at the thought of poaching Stock's investment managers, each of them accompanied by a highly valued set of private clients.

Stock, understandably, would not like that to happen as it would lower the value of what remained. Some of its investment advisers are "handcuffed" in one way or another and so it might be difficult for them to leave. Others are not, according to Samuels, who admits that in a business where very much on personal relationships, keeping staff in place is important. "I'd like to think very few managers will leave," he says.

Stock Group's stated strategy over the past couple of years has been to build a

"quality client base" consisting of profitable "high net worth individuals". It acquired Stock Beech and Campbell Neill (two regional brokers), Hoare Govett's private client business, two private client managers from Lazards, and most recently Simon & Coates and Laurie Millbank, which were bought by Chase Manhattan in 1986 and sold this February to BCMB.

Stock Group now has about 50,000 private clients: some are execution-only clients, but altogether the group has about £40m in funds under management. And its private client business, which it claims is the largest in the UK, makes a profit.

Although some clients will have seen several owners in the recent past - and are likely to again soon - Samuels claims that the group has always tried to ensure continuity in the people they were dealing with. "Clients come and go all the time. We have an incredibly loyal client base and we haven't had a mass exodus. We hope it should be seamless for clients" says Samuels.

The Provincial Bank, based at Altrincham in Cheshire, is a small specialist banking business with deposits of about £26m at the end of 1988. These are believed to have gone up substantially since then, and the bank claims to be healthy in profit. The significant element of its funding is collected through money market accounts held by the general public - its listing in the Financial Times quotes a gross rate of 14.125 per cent for deposits of £1,000 and over. Although the bank used to specialise in bridging loans for the residential housing market, its main operation on the retail side at present is instalment credit and car hire purchase.

Hamptons estate agency, which has about 120 branches, mainly in the South East of England, is regarded as an upmarket agency, which may help B&C dispose of the business at a time when most estate agents are struggling to make money in a flagging housing market.

Insurance broking. B&C has a chain of insurance brokers run by B&C Insurance, which also owns five Lloyd's brokers. The company has been expanding in the High Street insurance broking business, and has 12 outlets.

The area with which B&C could sell these different businesses will vary depending upon their performance. Analysts believe, for instance, that it should be able to make a small premium on Provincial. But one problem overlaps all the potential disposals: B&C is in the position of having to make a forced sale of financially-based companies at a time when this sort of business is out of favour. This does not mean that you are at risk as a customer, but many clients may become more careful about their involvement with these companies until the future of B&C is decided. In the financial sector, uncertainty tends to breed caution.

Finance Bill clarifies Budget promises on TESSAs and CRT

THE FINANCE BILL published on Thursday clarified several areas which were announced in the Budget but still have to be approved by Parliament.

TESSAs Tax-exempt special savings accounts, or TESSAs, the new schemes which the Chancellor hopes will encourage the British to save, will be portable. Once you have opened a TESSA you will be able to move your money from one bank or building society to another in order to chase a higher rate of interest or better service.

It was assumed at the time of the budget that TESSAs would be portable, and the Finance Bill has confirmed this. The door is open now for banks and building societies to start work on designing TESSAs so that they will be ready for the starting date of January 1, 1991.

The main points about TESSAs are:
■ interest is paid tax-free provided that the capital sum originally deposited is left untouched;
■ if you withdraw the interest before five years are up, it will be taxed;
■ you can save up to £25,000

over five years, depositing up to £2,000 in the first year and up to £1,800 a year thereafter.

■ you can only have one TESSA at a time - and unlike other savings accounts with banks and building societies, they cannot be held jointly.

Competition to attract the saver is likely to be tough among banks and building societies if savers are free to chase the highest interest rates on offer. So banks and societies are trying to think of ways to keep their customers loyal.

This could be achieved by penalising customers who switch out of a TESSA before five years are up, or by offering higher rates of interest to the longer the money stays in the account. Halifax Building Society is looking at TESSAs with both fixed and variable rates of interest, and is also considering ways of linking TESSAs to mortgages in the same way that PEPs (Personal Equity Plans) are linked to mortgages.

Large building societies and clearing banks are likely to launch more than one TESSA in order to attract savers from different sectors of the market. Composite rate tax. In the budget, the Chancellor

announced that composite rate tax (CRT) would be abolished on April 6, 1991. There was no mention of this in the Finance Bill, but the Inland Revenue says the clause will be introduced at committee stage.

The Building Societies Association suggested that one reason why the details were not included in the Finance Bill is

Sara Webb on the Chancellor's plans in detail

because the decision to scrap CRT was taken rather late in the day.

Charity donations The maximum that anyone can donate to charity using a payroll giving scheme has been raised from £400 to £500.

Payroll giving schemes were introduced to encourage people to make donations to charity by providing income tax relief. The increase in the ceiling to £500 was accompanied by the announcement of a Gift Aid scheme, allowing donors to claim income tax relief on gifts

of between £500 and £5m. The new scheme is a variation of the Gift Aid scheme in the Finance Bill. The Inland Revenue said the clause will be introduced at committee stage. Gift Aid is due to start on October 1 this year.

Child care Employees no longer have to pay income tax on the benefit of using a workplace nursery, an exemption which came into effect on April 6, 1990.

The Finance Bill confirmed that the tax exemption will not apply in cases where the employer offers a cash allowance for child care, provides vouchers which can be used to pay for child care, or pays the employee's bills for childcare, or buys places in a commercial nursery for use by the employee.

The nursery must be run by the employer either in the workplace or on premises made available by the employer for the benefit to be tax-exempt - in other words they cannot be run from home. The Finance Bill states that the employer must be partly or entirely responsible for financing and managing the provision of care in order to qualify.

Beware: the tax return cometh

THE INTRODUCTION of independent taxation for married couples has a darker side. This month some 750,000 married women have received for the first time a tax return from the Inland Revenue, which they are supposed to fill in and send back within 30 days.

The women selected to receive the forms have been picked out by the Revenue as likely to have some income they should be declaring for taxation purposes primarily on information culled from their husband's previous tax returns.

Previously married women had the choice of being taxed separately from their husbands if their earnings were sufficient to make it worthwhile foregoing the married man's allowance.

But now all married people are treated as individuals for tax purposes (with the exception of the additional married couples allowance) and the Revenue is trying to find out how much women, who will now receive their own allowances against income and capital gains taxes, will be liable to pay. So they are asking them to supply details of their income and outgoings for the year to April 5, 1990 "even if your husband has given these details" on his own tax return.

The form is relatively simple, so far as tax forms go, but there are a few points to watch.

Perhaps most important is the section on mortgages. Leslie Ferrar, tax partner at accountants KMPG Peat, Marwick & McLintock, points out that in the case of

joint mortgages, held by husbands and wives, the Revenue will automatically divide the mortgage interest relief 50/50 between the couple unless specifically asked to allocate it either to the husband or wife. This will apply even if, for example, the husband has up until now been paying the mortgage and claiming the full relief. This makes good sense if the husband is paying tax at the higher 40 per cent rate, and the wife is only having to pay tax at 25 per cent. So it is important that the couple makes it clear which one is claiming the relief. Ferrar suggests that if the wife wants her husband to claim the full tax relief on a joint mortgage, it is best for her not to fill in details of the loan but simply refer to the fact that an election in favour of the husband has already been made. This may well avoid confusion that might take some time to put right.

Ferrar also suggests that, with no sinister purpose in mind, wives should consult carefully with their husbands especially over the question of shareholdings. It is important, again to avoid confusion, to state which shares are owned jointly, or by one party or another, to make it crystal clear who owns what.

Cynics have suggested that one reason why the Revenue is sending out these additional forms direct to wives is that they could provide a revealing contrast with details already supplied by husbands when the two are matched. So it may be useful to compare notes before returning

the form possibly to avoid some nasty questions being asked later. It is also a good opportunity to resolve how exactly you are going to transfer assets and earnings for tax savings purposes.

Although the Revenue asks for the form to be returned within 30 days, this is only an initial deadline; the real deadline is the end of October.

If the form is not returned by then the Revenue may decide to start charging interest on tax, which it believes is owed.

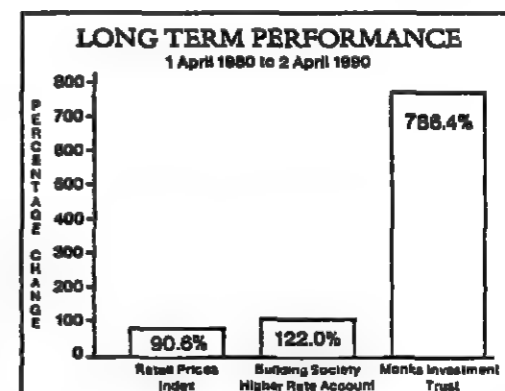
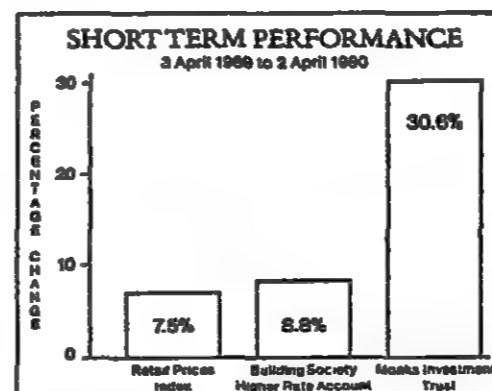
Altogether the Revenue is sending out 3.5m. tax return forms, including 250,000 new ones to married women, for completion by Schedule E taxpayers (that is those who have tax deducted by their employers direct from the wages under the PAYE (pay as you earn) system and pensioners). A further 3.5m forms, including 500,000 to married women, are going out to Schedule D taxpayers, who include the self-employed, those with earnings from investments and other forms of income.

Not everyone has to fill in a tax return form, which is basically used in the words of the tax inspector: "to ensure I have all the information I need to help you to pay the right amount of tax."

Married women, faced with the forms for the first time, may wonder whether independent taxation is such a good idea after all.

John Edwards

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FINANCE & THE FAMILY

Sara Webb previews the first annual report of insurance ombudsman Julian Farrand

Power to the people

WHEN insurance ombudsman Julian Farrand presents his first annual report next week, he should acquire a reputation for taking consumers' interests to heart. It is expected to show that he has upheld many more complaints in 1989 than did his predecessor, James Haswell, during the previous year.

Last year, decisions by insurance companies were revised in 81 per cent of the cases handled by Farrand's bureau, against 30 per cent in 1988. Farrand supported the companies in 63 per cent of the cases compared with Haswell's 78 per cent the previous year.

The remaining cases were either withdrawn or settled before the ombudsman completed his investigation.

Farrand has introduced several changes during his year in office and clearly is adopting a more lenient approach towards the consumer. In cases covering general insurance claims — such as those for household

misadventure — companies judged at fault now have to pay interest on the amount they owe the customer. This is generally back-dated to about one month after the customer made his claim.

Farrand, like Haswell, is also keen to make glib companies pay for anxiety or distress they have caused. Thus, complainants may find they are entitled not only to the money claimed but also to interest on that sum and compensation for unnecessary aggravation, such as a company's delay in responding.

In other cases, the ombudsman's more lenient approach has been influenced by recent court rulings. For example, if the owner of a car hands over the keys and documents to a buyer who, it transpires, has presented a forged cheque and disappears with the vehicle, Farrand is more likely to rule in the case as the seller. He says it is then up to the insurance com-

pany to pay out compensation.

In the past, such a motor theft could have been regarded as carelessness on the part of the owner, who might not have been entitled to any payment.

While Farrand might wonder if it is dangerous to bite the hands that feed him (given that the bureau is funded by the member companies), his colleagues in the insurance world have refrained from voicing in public any disquiet over his decisions.

Tom Roberts, deputy chief general manager of General Accident and the chairman of the insurance ombudsman's board of directors, says: "The ombudsman is free to make his own decisions. He is not bound by his own precedents or those of his predecessor."

Roberts points out that it would be a "very bad PR exercise" for an insurance company to pull out of the ombudsman scheme on the ground that it did not agree with the



Julian Farrand... more complaints have been upheld

decisions. He adds: "Companies may have been a bit hurt by legal decisions but they had to, and have, accepted these decisions."

Roberts stresses that members of the ombudsman scheme — which, although voluntary, includes about 90 to 95 per cent of the industry — are bound to honour the decisions and "pay up" if ordered.

with appropriate double taxation agreements:

(d) former or current Crown servants, including former or current members of the armed forces of the Crown;

(e) widowers or widows of former Crown servants;

(f) current servants of a territory under Her Majesty's protection;

(g) current employees of a UK missionary society;

(h) former UK residents now resident overseas for the sake of their health or the health of a member of their family resident with them.

As you refer to "income tax that has been deducted", we take it that your friends' investments are all in gilts (or money market) unit trusts. Deduction of income tax from unit trust distributions in general was abolished with effect from April 1973, upon the changeover to the current imputation system; the distinction between tax deduction and imputation is of particular importance in relation to non-residents.

BES and tax relief

IN MARCH 1989 I invested £10,000 in a Business Expansion Scheme company and intended to make continuing investments in the future. The investments are in my name and I have applied for BES relief at my top rate of tax is 40 per cent. If subsequently I transfer the shares to my wife, paying 25 per cent tax on dividend income, will this prejudice my original tax relief?

Yes, under section 289(1)(a) of the Income and Corporation Taxes Act 1988. Two free explanatory pamphlets are available from tax inspectors' offices: IT51(1989) (Business expansion scheme); and IT85(1989) (Business expansion scheme: private related housing).

Wandering, wondering

OVER the last 20 years I have had no permanent residence in the UK. Over this period I have lived in no country for longer than five months. I understand that persons not resident and not ordinarily resident in the UK can make an exemption claim on British Government stocks and the proceeds will be paid gross free of tax.

I am told the same procedure only applies to ordinary share tax deductions if you have a permanent residence and live in a country with a double taxation agreement with the UK, then you still have to pay 15 per cent of this correct?

You are not quite correct on the first point: the exemption only extends to certain gifts, not to all of them. The gifts in question are marked with a double obelisk in the London Share Service columns of the Financial Times. As a quite separate matter, all gifts held on the National Savings Stock Register have the interest paid without deduction of tax and can be valued, by concession.

As a non-resident Commonwealth citizen (and/or a resident of the Channel Islands), you will be entitled to a full UK personal allowance for 1990-91 onwards, which can be set against UK dividends and will produce a corresponding payment of tax credit (subject to any taxable but untaxed interest which you may have). For past years and the current year, on the other hand, your entitlement to relief depends upon your worldwide income — and may be nil.

Write to the Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB, asking for the free explanatory pamphlets IT20 (Residents and non-residents: liability to tax in the UK) and IT90 (Independent taxation: a guide to tax allowances and reliefs).

Taxation with representation

AN ADDITIONAL 2m British expatriates will have the right to vote in the UK's next General Election, but they face the possibility of falling unwittingly into a tax trap.

Britons abroad were first given the right to vote in UK and European parliamentary elections as recently as 1986: they received an entitlement to vote in elections held up to five years after completion of a register of electors in which they were registered. Until four years ago, the right to vote had been restricted to crown servants and service personnel.

Now the right to vote is being extended to all British citizens living abroad from five to 20 years, as a result of a clause in the Representation of the People Act, 1985 which came into effect from April 1. The legislation will also, for the first time, enfranchise the children of expatriates who were too young to vote before their parents left the UK. This requirement is subject to a parent or guardian having been a registered voter prior to departure from the UK.

The Home Office is about to launch a massive publicity campaign and copies of explanatory leaflets will be available from British embassies and consulates from next month.

There are immense practical difficulties in tracking down

British expatriates and informing them of their rights. The main problem is that expatriates are not required to register with their local British embassy, and usually do so only if they are living in a trouble spot from which they might need to be evacuated at short notice.

Expatriates will vote in the constituency in which they were last registered as a UK elector (or where a parent or guardian was registered). To make sure of being included on the next electoral register, which is effective for one year from February 1991, application forms have to be completed and returned to the area electoral registration officer, by October 10 this year.

But there could be UK tax implications for expatriates who exercise their right to vote. The general rule is that an individual's liability to UK income tax and capital gains tax is governed by residence and ordinary residence. Registering to vote in the UK, and claiming UK personal allowances, would have no effect on someone's residence status for UK tax purposes. They would not become liable to pay income tax or capital gains tax.

However, different criteria apply when it comes to inheritance tax. Here, the main factor determining the extent of



liability is domicile. People domiciled in the UK are taxed on their property wherever it is situated, while those domiciled outside Britain are taxed only on their UK assets.

Domicile is a concept of common law, not a tax concept. Broadly, a person is domiciled in the country in which they have their permanent home. To acquire a new domicile, an individual must normally sever essential ties with their country of existing domicile to settle in another country with the clear intention of making a permanent home there. Residence is where you live; domicile is where you think you live.

According to the Inland Revenue, when someone with a UK domicile goes abroad to live, but maintains ties with the UK, registering to vote would have no effect on that person's tax position. What this means in practice is that once a person becomes non-resident and not ordinarily resident there is no liability to income tax, except for UK source income, and no liability to capital gains tax.

Inheritance tax is different. A non-resident who has maintained a UK domicile (it is very difficult to change your domicile) would continue to be liable to inheritance tax, irrespective of any intention to vote in the UK. On the other hand, if registering to vote in the UK was the only tie, it would not make a foreign domiciled person UK domiciled.

It is in cases between the two extremes where difficulties may arise. According to the Inland Revenue, registering to vote in the UK would be one factor taken into account in assessing a person's ties with the UK, and hence in deciding whether they had given up or reacquired UK domicile.

Peter Gardland

Peter Gardland is Editor of The International, the FT's magazine for expatriates.

Delayed bill held a nasty surprise

MY LOCAL solicitors have a tax accounts office, which I have used for all my tax affairs for the last six years. For the first three years their fees were very reasonable, but since then they have been changes in staff and more recently a complete reorganisation of this office to include other financial matters. This has obviously brought to light the fact that they have failed to invoice me for any of the last three years.

Their account for this period has now been submitted, but without any detail as to hours worked, charge per hour, or even a breakdown between the three years charged for. It merely states a charge of £785 plus VAT for dealing with my tax affairs.

Working from the last account received and paid by me three years ago, the figure of £785 represents an average increase of approximately 50 per cent per annum. The volume of work required on my tax affairs has not altered appreciably over this period. I consider this increase to be quite unjustified. Had I been aware of any such impending increase I could have removed my affairs to a more reasonable accountant, before incurring such a large bill. Even if the majority of the increase is due to reorganisation this year, I consider I should have been informed in advance of such a large change in fees.

May I have your comments and any advice as to what action I might take.

You should require the solicitors to revise their bill in the light of the particular circumstances. If necessary, offer to pay at the rate which obtained for the last bill which you paid. You are entitled to require a solicitor's bill to be backed by a remuneration certificate from the Law Society.

Spouses' holdings

I HAVE ALL my investments in shares jointly with my wife. Would the Inland Revenue accept splitting our dividend income and capital gains into equal shares without actually transferring half the portfolio into single names? I would prefer to keep all our holdings in joint names for convenience in case of my death.

If I have to transfer all holdings, will I have to transfer half the number of shares of each company in my wife's share?

gle name and the remaining number in my name. I have holdings in about 100 companies and hence would I have to fill in 200 transfer forms?

As you refer to the joint shareholdings as "my investments", we take it that you mean that you paid for them all. That being so, the fact that they would automatically revert to your sole name if you were to outlive your wife means that the income will be deemed to be entirely yours for 1990-91 onwards, because the anti-avoidance legislation introduced last year catches gifts from husband to wife (inter alia) the capital, "may become, in any circumstances whatsoever, payable to or applicable for the benefit of the donor".

You could restrict the number of transfer forms to 50 by transferring half the joint holdings to your wife and leaving the others in joint names undisturbed. Provided that your wife had her dividends etc. credited to an account to which you have no access, the result would be that her dividends etc. would be deemed to be entirely her income.

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Mortgage tax relief

IN NOVEMBER 1987, I took out a bank mortgage to extend my house. When the April 1988 Budget abolished tax relief on interest for loans for home improvements, I had already drawn two stage payments but the third stage payment was drawn later.

Am I correct in thinking that I should get tax relief on the whole loan interest, including that of the third stage payment? If so, could you suggest anything which would support my case.

I have already appealed against the reduction in the relief allowed on the grounds that November 1987 was the relevant date for the whole loan irrespective of whether any of the stage payments were after 5 April 1988.

The Inland Revenue replied: "The 1987/88 certificate of interest showed the loan outstanding at that time to be £13,451. As the 1988/89 certificate showed the loan outstanding at £17,830 it was assumed a further advance had been obtained during the year."

"Further advances for the purpose of home improvements are only qualified for tax relief."

Q&A

BRIFECASE

No legal responsibility can be accepted for the financial times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

However, this was abolished on 6 April 1988. Therefore, only the amount outstanding prior to this date qualifies for tax relief which is why relief has been apportioned."

My understanding at the time of the April 1988 Budget was that relief was withdrawn on new loans, and that I would not be affected as my mortgage was an existing loan.

I send the Inland Revenue the letter which the bank wrote to you in November 1987, offering to lend you £20,000, and draw attention to subsection 2C of section 355 of the Income and Corporation Taxes Act 1988.

"(2C) Where it is proved by written evidence that a loan made on or after 6th April 1988 was made in pursuance of an offer made by the lender before that date and that the offer either was in writing or was evidenced by a note or memorandum made by the lender before that date, the loan shall be deemed for the purposes of subsection 2A above to have been made before that date."

Take a photocopy of the bank's letter before you send the original.

Investments for friends

I HAVE been making investments in accumulation units of unit trusts for friends, who are resident overseas and not British. Should I be able to claim repayment of income tax that has been deducted for which I hold the tax vouchers on their behalf. If so how do I proceed?

It depends, among other things, where they are resident — that is to say whether they are entitled to partial (or total) payment of the tax credits by virtue of double taxation agreements. Relief (or additional relief) may be due for future years by virtue of section 31 of the Finance Act 1988 (Non-residents' personal reliefs) if they are within any of the following classes:

(a) Commonwealth or Irish citizens;

(b) residents of the Channel Islands or the Isle of Man;

(c) residents of countries

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25% 40%	Frequency of payment	Term (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK						
High interest cheque	5.00	5.10	4.08	monthly	1	under 5,000
High interest cheque	9.20	9.30	7.88	monthly	1	5,000-9,999
High interest cheque	9.40	9.50	7.84	monthly	1	10,000-24,999
High interest cheque	9.60	9.70	7.80	monthly	1	25,000-49,999
High interest cheque	10.20	10.30	8.58	monthly	1	50,000
BUILDING SOCIETY						
Ordinary share	7.00	7.15	5.70	half-yearly	1	1-250,000
High interest account	9.00	9.00	7.20	yearly	1	500
High interest account	9.75	9.75	7.80	yearly	1	2,000
High interest account	10.25	10.25	8.20	yearly	1	5,000
High interest account	10.50	10.50	8.40	yearly	1	10,000
90-day	10.25	10.51	8.41	half yearly	1	500-9,999
90-day	11.00	11.30	9.05	half yearly	1	10,000-24,999
90-day	11.50	11.83	9.48	half yearly	1	25,000
NATIONAL SAVINGS						
Investment account	11.75	8.81	7.05	yearly	2	5-25,000
Income bonds	12.50	9.93	7.94	yearly	2	2,000-25,000
Capital bonds	12.00	9.00	7.20	yearly	2	100 miles
34th issue	7.50	7.50	7.50	not applica	3	25-1,000
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month
General extension	5.01	5.01	5.01	not applica	3	8
MONEY MARKET ACCOUNT						
Schroder Wage	10.78	11.31	9.05	monthly	1	2,500
Provincial Bank	11.02	11.59	9.27	monthly	1	1,000
UK GOVERNMENT STOCKS						
3pc Treasury 1991	14.25	12.12	10.84	half yearly	4	0
3pc Treasury 1992	14.10	11.06	10.57	half yearly	4	0
10.25pc Exchange 1995	13.08	10.93	9.88	half yearly	4	0
3.5pc Treasury 1994	13.41	11.07	9.67	half yearly	4	0
3pc Treasury 1992	12.10	11.26	10.75	half yearly	4	0
Index-linked 3pc 1992/95	12.69	10.44	10.13	half yearly	2/4	0

*Lloyds Bank/Halifax 90-day, immediate access for balances over £5,000.† Special facility for extra £10,000. ‡Source: Phillips and Drew. †††Assumes 5.5 per cent inflation rate. 1. Paid after deduction of composite rate tax. 2. Paid gross. 3. Tax free. 4. Dividends paid after deduction of basic rate tax.

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*Source: Macropol 11.80 to 11.90 offer to bid with net income reinvested. Over 5 years to 14.90, the Trust would have returned 257.4%, offer to offer. Fidelity Nominees Limited, Member of IMRO.

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MINDING YOUR OWN BUSINESS



Anne de Zoysa (left) and Sue Woodford... they plan 12 more nurseries in the next six years

Babies who beat bureaucracy

OVER THE next 10 years, demographic realities will require 700,000 women to enter the work force to make up for the shortage of school-leavers. At the same time, Britain provides the lowest level of funding for child care in the European Community. Just 2 per cent of those under two are in publicly-financed nurseries compared with 38 per cent in France and Belgium, while 44 per cent of those aged three to four are in pre-primary schooling compared with 95 per cent in France and 74 per cent in Germany.

Divide the first fact by the second and the result should be a golden small business opportunity.

Sue Woodford and Anne de Zoysa are crusaders for high-quality child care for working mothers. Sue managed to work full-time as a television producer despite having three children. But Anne, a teacher, could not find satisfactory full-time day care for her two-year-old son and was pregnant with her second child (a daughter) when they asked each other at a dinner party what other mothers did - and decided to do it for them.

Bringing Up Baby opened its first nursery, in west London, almost a year ago after a battle

with bureaucracy. Their bank agreed to provide a two-thirds loan but they needed a house. It had to be somewhere large and light, close to a park (a nursery in a residential area can use its own garden for only half an hour morning and afternoon so as not to disturb neighbours), and with at least one large employer nearby (in their case, the BBC).

Then there were local authority regulations requiring that no children are cared for above the first floor (fire); a minimum 40 sq ft of clear play area for each under-two, and 25 sq ft for over-twos; a clear exit other than the front door; good parking - and no yellow line on the road outside.

The house they found cost £190,000 to buy, rising to £235,000 after they had refurbished it to provide such facilities as Montessori equipment. But planning permission was delayed for six months because the council was concerned at the loss of residential use to a commercial enterprise.

"We injected capital as it became necessary but, for six months, the house was empty without any work on it," says Sue. "When we'd done our original business plan, the interest rate was 7 per cent and we'd made very conserva-

tive projections based on 14 per cent. We thought we'd be laughing. It's 15 per cent now."

They started with two children and three staff. "We'd been ringing round local businesses once we got planning permission, but I suppose we'd naively thought there'd be a queue round the block the day we opened. We really started marketing then. We approached embassies and relocation agencies, stuck cards in health centres and schools and contacted universities," says Sue. Now they are full, with a waiting list of almost 60.

Child care of this quality does not come cheap. Sue and Anne employ seven full-time nursery staff, and a cook. Another three will work in an annex they are to open shortly in the large lower ground floor of Anne's home, while one other full-time will shuttle between the two as a floater. Then there are part-time staff: cleaners, and a French and music teacher. All this to accommodate 35 children.

Staff costs are the biggest outgoing, at £9,000 a month, and the mortgage accounts for a little under that. Sue and Anne take no salary and won't until the business can afford to pay them. They charge £130 a

week for children under 18 months (although they cost 35 per cent more to look after) and £125 for older children. They will make a small profit at the first year's end in May.

They plan to open two nurseries a year over each of the next six. "We will have to look at our management structure as we expand," says Anne. "Each nursery is run by a principal and deputy on a day to day basis, but we will need someone with business experience to help us deal with the head office administration once we expand beyond what the two of us can manage physically."

With all the publicity given to the need for child care, they were surprised initially that more people had not set up businesses to provide it. But Sue points out: "The catch is that it's quite high risk, and you have to be terribly dedicated and have reasonable capital to fall back on. And then, people who are qualified as nursery nurses are not necessarily experienced in business management."

Bringing Up Baby Ltd, 26 Richmond Way, London W15 (tel. 01-749-1955).

J. M.

THE CLASSIC small business image has a mighty oak growing from a tiny acorn. In the case of the National Westminster Bank, though, the oak gave birth to the acorn.

When it entered the embryonic small business sector, the bank hijacked the concept of relationship management - providing expert and generalist advice with the ability to tap into other specialisations - developed successfully in its international corporate market.

From its experience in the corporate middle ground, with 16,000-17,000 UK customers with turnover between £1m-150m who wanted to do business out of London, the account was placed on de-centralisation and local knowledge. As a result, NatWest's Small Business Services unit emerged almost fully-fledged from the parental womb in 1983.

Commercially, small business has become big business to the bank, with a 30 per cent share of the total small business market maintained over the past five years. There are 1m accounts, with total lending of £8bn in a sector ranging from part-time customers planning to start-up in business on their own to established firms with £1m turnover.

"Within that range, we have a heavy skewing towards smaller businesses turning over between £50,000-100,000," says David Powell, who heads the unit. "To service their needs, we have drawn on the strength, size and density of our network of 3,000 branches in 23 regions including Scotland. Two years ago, we dispensed with the area structure and gave the branches more autonomy, which means a much sharper control process than the old hierarchy of branch/area/headquarters."

NatWest now takes 31 per cent of start-up businesses - including 80 per cent or more of its own personal customers launching a small operation. Its research reveals that it is the second choice of most of the other banks' personal customers.

Around £2.5m of NatWest's lending to small business is in fixed-rate monthly repayment business development loans for amounts up to £250,000 over periods of up to 10 years. Then there are start-up loans designed for newly-established businesses. These offer fixed-rate interest, and a six-month capital repayment holiday paying interest only, for sums up to £15,000 over a 10-year maximum. The bank's interest rate is 1.75 per cent plus base rate. Last year, it opened 230,000

Jane McLoughlin reports on how an oak gave birth to an acorn
Growing big by thinking small

small business start-up accounts. But Powell's wall contains a framed, sampler-like message reading: "30 per cent of small businesses fail within five years." This is a constant reminder that market share of start-ups is not the start and finish of successful banking for small business. At present, in a bid to discover what makes a small business fail, NatWest is evaluating the results of tracking 2,000 customers who started-up in the past two years. It wants to produce a template for success - and ways to avoid failure.

"We feel a very serious responsibility towards making more start-ups last longer," says Andy Huxter, senior development manager for small business. "The typical new business is started by someone who's very good at the product or service they provide, but not a good business person. Many are very action-oriented and fail because they're too optimistic in their sales projections. Their cost base could be 10-20 per cent in error, but on the sales side they can be 200-300 per cent wrong - and that's where exposure to failure lies."

NatWest aims to plug this gap. Huxter adds: "What made us number one was in realising that businesses starting-up had difficulty in getting genuine

hard advice. We set out to find ways of fulfilling that need, and focused this in October 1988 when we banded our small business advisers. We now have 4,000 in all high street branches, with the key role of making sure new starters know the kind of processes they need to go through, and of linking them with other support agencies like local accountants and solicitors."

Powell believes that the bank which manages successfully to separate product processing and servicing without the customer seeing the join will dominate the market. He notes: "We have piloted many of the derivatives of separation - remote processing, specialised delivery points, and so on - because we lead the market, whereas some others are being forced down one road or the other to gain market share. None of them would send the sales staff actually to produce the shirts in the factory." Hence NatWest's localised small business specialists.

In addition, access to everyday services the small businessman could need has been concentrated in the suburbs rather than city centres. Small business advisers here are more junior, and have lending powers "appropriate to the locality," Powell believes the

small businessman wants someone who knows him and the market involved who can sanction a £10,000 loan or a £200 overdraft facility at short notice with minimum fuss.

"The strength of the small business advisers is local knowledge and a sense of continuity. Powell says: "Our research has shown us there was a fear factor for the start-up customer. In the early development stages, people can feel overpowered by going to see a more senior manager. We have deliberately appointed managers as small business advisers. They are assistant managers, younger, slightly more junior, less formally dressed. After the initial contact, the customer is signposted to proper local professionals or specialist information rather than financial gurus."

In January, NatWest introduced another tier of expertise for local advisers with the appointment of 23 regional senior small business advisers. They are junior management grade with specific training to co-ordinate the local advisers by bridging links with enterprise agencies, etc. They can lock into central marketing and mail-shot our people down the line to keep them in touch with what's going on in the market," says Powell.

"In addition, I have various senior managers looking after discrete parts of the market. For example, we have a team of managers expert in agriculture on call. Our franchise unit is recognised as leader in the field. We launched our technology unit behind Barclays, and have grown to take 30 per cent of the business. We can tap into outside expertise to assess whether a technological invention works and whether it has a market. And where there was a product gap in terms of venture capital, which was not coming low enough, we can bring it down to £25,000."

Powell sees the challenge of the '90s as encouraging small businesses to grow. "The barriers are psychological at the moment. We must identify the person who will create a fast-growing company earlier than we do. They can be picked out by their business plans, but the problem is telling them from the over-optimistic because their turnover levels typically will be three or four times greater than the usual small business."

National Westminster Bank Small Business Services, 5 Parkchurch Place, London EC3M 4PG (tel. 01-374-3864).

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TRAVEL

Politics and paradox on the trail of Ho Chi Minh

Roger Matthews makes a peripatetic pilgrimage through Vietnam, a country still coming to terms with its legacy of war

NEARLY every American serviceman who returned home from Vietnam is said to have taken with him a Bufo, pronounced Buffy, in military parlance. Buffy is short for Bloody Ugly Frog, and in its ceramic state stands about 2 feet high, comes in a variety of colours and weighs in at 8 kilos. Fifteen years after the fighting ended it is still Vietnam's single most recognisable export.

An example gracing a fashionable London shop was seen recently priced at £140, a mark-up of some £137.50 on its retail value in Hanoi. Vietnam's Marxists are currently so mired in an orgy of self-criticism that they would probably savour this further example of their commercial incompetence. Instead, I deemed it more diplomatic to request a visit to a place where such massive profitability originates — in this case the centuries old ceramic centre at Bat Trang, on the left bank of the Red River, some 15 kilometres from Hanoi.

It was the right thing to have asked. The men from the Ministry purged with socialist satisfaction at an opportunity to show off Vietnam's limited industrial achievements; a date was set. The owners were good and the drive akin to a rural ride with L.S. Lowry through rice fields populated by tiny figures in conical hats and small villages where the slow-moving car was frequently forced to give precedence to ducks, geese and pigs.

At Bat Trang, which did not look remotely like Stoke-on-Trent, the barrier across the road was lifted and the representatives of the People's Committee informed of our arrival. They were unimpressed and certainly unmoved, scarcely bothering to look up from their cups of green tea.

Under still tense war-time regulations covering the sighting of foreigners in the vicinity of factories, the correct response was to assemble the People's Militia. However, the



Vietnamese girls: the warmth of the people comes as a surprise

about but least peacefully visited countries in the world. No peasant society has fought as it has done, achieved militarily what it has done, and been so massively disappointed by the peace-time consequences. It looks constantly to the past, for clues to the future.

The writings of Ho Chi Minh, dead for more than 20 years, are treasured for references on how to cope with the political heresies of President Gorbachev; women, yoked together, drag ploughs through the muddy rice paddies outside the port of Haiphong — which both the French and the Americans tried to flatten — while in a city centre restaurant the owner cannot be dissuaded from screening a video of *Shogun* Stevens.

The bombs, then, and Mr Stevens now, should have been more than enough to ensure a cool if not downright hostile reception for Westerners, yet responding to relentless Vietnamese smiles is eventually wearying, especially to facial muscles. A rare case of overt, hissing hostility came from a young man in Haiphong market, and that was only because he thought we were Russians — who only helped Vietnam win the war and have, in the past 15 years, done more than anyone to prop up its economy. An American B-52 pilot would probably be fêted.

It is not surprising that war keeps cropping up during travels in Vietnam, but it does occur in the unlikelyst places. Few outcrops are more charming, visually and personally, than the pagoda, 60 km south-west of Hanoi. Part of the journey is an hour-long trip down the Yen River along which hundreds of small but crowded rowing boats process in near total silence. All around are great craggy outcrops of rock on which puffs of cloud sit; kingfishers flash along the bank; there are glimmers from the boat ahead as a small fish leaps on board, and through the mist there emerges, balanced high on a rock, the delicate outline of a small temple. "Built in honour of the surface-to-air-missile unit which shot down a B-52," said the guide.

representatives of the People's Committee, pouring more tea, made clear they had no intention of turning out the militia. Therefore the foreign intruder could not exist. As we did not exist there was no point in remaining. Anyway, if we had existed, they said that the children (standing outside in a happy, laughing circle) might have thrown stones. The route was covered.

The next day a consolation trip was offered: a visit to a handicrafts co-operative. As it turned out, both the director and his deputy were away, under standing orders, no-one else was empowered to receive foreign visitors.

After all this, there was no excuse for surprise when the man from the Ministry of Tourism declared solemnly that by designating 1990 "Visit Vietnam Year," the intention had not been to attract visitors. The main aim, he said, was to get different tourism departments working together. Predictably, they are not; perversely, Vietnam is attracting visitors.

There are only a few visitors as yet because it is not easy to get to Vietnam, not easy to travel once there, and not easy to find accommodation of what brochures like to call "international" standard. The newly published investment guide to Saigon, which more and more people are forgetting to call Ho Chi Minh City, sums up the situation: "In the early 1970s there were 175 hotels in Saigon, 60 per cent of which offered full facilities to foreign guests. Nowadays, owing to the dilapidated condition of the buildings and the inefficient, dissipated management, there are only about 10 up to international standard. Ten is pitting a bit high."

However, the potential for achievement is enormous. For the past 40 years Vietnam has been one of the most talked

The receptionist at the hotel scowled if spoken to. Asked if there was any chance of a piece of soap, she pointed wordlessly to the shop. Even if the hotel had been empty there would have been no chance of a one-minute extension to the noon checkout.

The local deputy director of tourism explained at length but with little conviction his plans for attracting more visitors, and a representative of the Hue People's Committee reappeared to collect a large sum of money for the boat trip and disappeared without explaining why, despite a week's notice, he had ignored Hanoi's request to book berths on the train south that night. But not even the Party can keep all its servants surly all the time, and the station master at Hue will certainly survive the privatisation next century of Vietnam State Railways. A former gold medal winner for volleyball, he produced a walking room, a bottle of rice wine and three hours later, one berth on only the fourth and certainly last train to pass through Hue that day.

Admittedly, it was not the best train: the bare berth was one of six in a tiny compartment and it had, like the other five, to be shared. It was unlit, like the rest of the train: there was no glass in the windows, like the rest of the train, but individuality was provided by a policeman who relentlessly spat chewed fibres of sugar cane out the window.

The fibres were promptly and stickily returned by the wind, but because he was a policeman there were no complaints. For non-Vietnamese there was not enough space to lie down, or to sit up; just enough to stand. Standing, though, was hazardous because of determined vendors barging along the corridors; each time the train halted the vendors were able to drop their landing gear and attack relentlessly.

But at least stations brought relief from the pungency of the compartment and a chance to



The Sunday Night Swirl in Saigon... when all the city seems to be travelling in a vast human river

rinse off some of the dirt in the bowls of water left along the platform edge. There was no water on the train... anywhere. At the first station after dawn it was also unavoidably confirmed that the Vietnamese tendency to perform other bodily functions in full view of the train was not merely a temptation of the night. Between stations, the view improved considerably. For miles the train snaked past a

(Webster's: "excessive or insatiable desire for wealth or gain").

But without him there would have been no car, and without a car it would have been back to the train. And Dalat was next, despite being officially off-limits to journalists because of "reactionary elements" allegedly operating in the area. Dalat, at 4,000 ft, was said to be cool, pine-covered, and was famous for its strawberries,

In some places the casava is even laid down the centre of the road, which the vehicle then straddles; you hope that you do not meet anything coming in the opposite direction. Cyclists show no fear of metal moving at 50 miles an hour. It was thus a matter of some gravity when, halfway to Dalat, the guide reported that "our whistle is not working."

A car without a klaxon is transformed into an even more lethal weapon in Vietnam and despite a long stop at a village, notable for the Party's propaganda booming out relentlessly from loudspeakers, the remainder of the journey had to be completed in hazardous silence.

More was to follow. A crystalline guide emerged from the freshly-painted Dalat Palace overlooking the lake to announce that it was fully booked. The improbability of such an occurrence was confirmed five minutes later when — the management having spotted a non-Vietnamese, non-Russian face — virtually every room in the building became miraculously available. "They thought at first that we were a Vietnamese delegation," said the guide, as if that explained everything. Which,

of course, it did.

The Palace ranks historically alongside Raffles in Singapore. The bedroom ceilings are 18 ft high, mosquito nets are provided and there is insufficient power to read after dark. But at \$27 a night it is a bargain trip into the colonial 1920s.

Just over 200 miles south of Dalat and 60 years on in time, it is now possible to pay \$123 a night more for a single room with a ceiling a third of the height: the Saigon Floating Hotel, towed recently from the Great Barrier Reef off Australia, charges \$150 a night and says that it will put the rate up to \$250 in the summer once its facilities are complete.

All of which will make it even easier to remain at the Majestic, where even the occasional rodent cannot blight the pleasure of sitting on the bar terrace as dusk falls, observing the astonishing Sunday Night Swirl, when for three hours all of Saigon appears to be on bicycles or motorbikes. It is like a vast human river, as many as five to a machine, flowing and bobbing, smiling and laughing, endlessly moving. At such a time Vietnam looks like a happy country. A good memory, and a moment ripe for buying a Bufo.

The man from the Ministry of Tourism declared solemnly that by designating 1990 "Visit Vietnam Year," the intention had not been to attract visitors

succession of long, sandy beaches, palm-fringed, unpopulated and as tempting as anything on offer in Thailand, Malaysia or Indonesia. Nha Trang, reached after 23 unforgettable hours, has one of the finest beaches, an almost-welcoming hotel, an airfield which appeared to permit Mig-23 fighters to land in the centre of town, and a People's Committee tourism representative who must be a top contender to win the national prize for avarice

waterfalls and delightful old French colonial hotel, the Pal-

Travelling by road in rural Vietnam can be as eventful as going by air or rail. There is little motorised traffic, but what there is tends to congregate in the centre of the road. This is understandable because roads are invariably crumbling at the edges and farmers like to use them for drying crops such as casava, coffee and tobacco.

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TRAVEL

Continued from Page VIII

1987-8 and 18.3 per cent in 1975-6.

The problem for the resorts is that they are heavily dependent upon the domestic market. A recent study by Sema, Metz, the French consultants, showed that only 17 per cent of skiers in France are foreigners. Despite having more lifts and ski runs than any other country in the world, France has only 15 per cent of the market for skiers taking holidays outside their own country.

The resorts are now determined to market the benefits of taking winter holidays in France at the same time as they improve the welcome they offer to non-French skiers. Tourist offices and lift companies are investing heavily to improve facilities for skiing and other activities.

The most important investment in ski stations is making it snow-making facilities. The French resorts have been slow in installing such equipment and have been left behind the Italians, at least.

"It's ridiculous," complains Georges Salomon, president of Salomon. "They've spent billions of francs on new buildings and millions on lift systems. Yet they've been reluctant to spend relatively small amounts on cannons which produce the one thing the whole edifice is based upon: snow."

However, last summer, at least eight French stations put in systems with the capacity to cover more than 1m square feet. At the beginning of the season, station managers were able to see that many of resorts were only able to operate because of such investments. Others discovered that snow-making is not a panacea and that they had wasted large sums of money. The machines only work at minus 4 degrees C in wet conditions, and the temperatures in some areas failed to fall low enough to allow snow-making.

The resorts have also been investing in laying grass on the pistes. This preserves what snow has fallen, because the grass forms a layer of insulation between the warm ground below and the snow cover. The grass can also extend the length of time that the snow lasts at the end of the season by about three weeks.

One other area that stations are looking at is large-scale lift systems. This is based on the idea that if it is impossible to get the snow to the skiers, it should be possible to take peo-

ple high into the mountains, where, in theory, snow should be more widespread. Four resorts, Les Arcs, Les Deux Alpes, Tignes and Val d'Isère, have invested in funiculars in recent years, while others have purchased detachable lifts, which have more capacity than traditional fixed systems.

Station managers and mayors are also attempting to make the buildings in the resorts more attractive. The French created some monstrously unappealing structures in their ski stations during the 1960s and '70s. The buildings were of poor quality, enormous yet cramped, and frequently paid little attention to the needs of those who had to stay in them. The result has been a collapse in the price of second-hand



ski-station properties.

"It's been la grande panique," claims Daniel Berthe, a property developer based in Annecy. "Quality has become the watchword and the straight line is no longer seen as a sign of human intelligence. Developers have discovered they can't sell everything."

He explains that the best recent buildings have kept to scale with the surroundings, have attractive locations facing south, are of a reasonable size and are constructed in an alpine style in an attempt to be in harmony with the environment. Concrete is out and wood is in. Such buildings, especially if they have facilities such as saunas, creches and laundries, can be sold, claims Berthe. Anyone wanting to buy in the Alps should be able to find increasingly high quality at falling prices.

The French stations have one final strategy to improve their profitability in the face of the lack of snow: to emphasise that their resorts are attractive places to take holidays, even

without the white gold.

"Everyone is talking about selling mountains, rather than snow," explains Gérard Coint, director of Salon International de l'Aménagement en Montagne, the international mountain equipment show. "By investing in non-skiing facilities, they are trying to encourage holiday-makers to come to resorts all the year round, rather than just in February."

The problem with all this investment is that it is expensive and only really an option available to the largest stations. A large lift can cost as much as a Boeing 737, and a large snow-making system can be as expensive as a new bubble-lift. This means that the larger resorts will become increasingly attractive to tour operators, while the smaller resorts become less attractive because they will be unable to invest in such schemes.

Some of the lower resorts such as La Clusaz and Morzine in Haute-Savoie have had disastrous seasons because of their low altitude. It is these resorts which UK tour operators, already under pressure from falling demand caused by high interest rates and a weaker leisure sector, are likely to cut from their brochures first.

These resorts are already under financial pressure. This was a bad year for the companies and communities running the ski resorts. On January 22 this year only 58 of the 428 stations in France were functioning. Some resorts were almost empty, while high, fashionable resorts, such as Courchevel, only reached full occupancy in February. Not surprisingly, receipts taken by the lift operators were down. Losses in January alone were estimated at FF450m, at least. Meanwhile, French stations also lost income from local income taxes because they were employing only 2,000 of the usual 11,000 seasonal workers.

The effect of this financial dislocation for the skier is that the range of resorts offered by tour operators will decrease at the same time that the number of stations able to afford to offer quality facilities will also diminish. On the other hand, what the best resorts have to offer will become more and more attractive as they compete for an increasingly rare and valuable clientele.

In the meantime, mountaineers, equipment manufacturers and skiers will be praying that next season, at least, the white gold arrives on time...

Where the tourists eat the piranhas

Tim Burt starts a five-part series on the Andean Nations by trekking through the Peruvian jungle, dodging tarantulas and scorpions

SOME stones thrown up by a passing taxi clanged against the Casa de Hierro - the house of iron - in downtown Iquitos. The walls, made of iron trusses and sheets bolted together, have rusted in the 22 years since a rubber baron transported the parts up the Amazon from the Eiffel workshop in Paris to Peru's fastest-growing river port.

The taxi driver did not give the building a second glance as he revved his motorcycle rickshaw out of the Plaza de Armas and towards the waterfront. Motorcycles outnumber cars by five to one in Iquitos because two wheels are more useful than four in a town where the roads extend only 15 km before the jungle takes over.

The rickshaw heading towards the river was decorated with gold curtain braids and pictures of the Madonna; a stick of incense was burning in a holder close to the petrol tank and a crucifix was jammed between the handlebars, giving the vehicle the atmosphere of a motorised chapel rather than a means of transport.

Rickshaws crowd through the streets of this urban oasis - 370 miles from the Andes and 1,900 miles from the Atlantic at the mouth of the Amazon. Its remoteness means that visitors with any acumen leave their children behind and prepare themselves for unkempt hotel rooms with saloon bar doors and overhead fans which generate the same downwash as a helicopter gunship. The only way out is by air or on one of the wooden river boats.

Most taxis deposit river-bound passengers beside two of the oldest steamers, which are revered as heroes in Iquitos. Moored now beside an offshore slum of ruined houseboats, they once starred in the Werner Herzog film, *Fitzcarraldo*, about the eccentric German opera producer who lived in the Plaza de Armas and built an elaborate opera house downstream in Manaus, Brazil.

Herzog's boats rock against each other in the swell of modern motor launches that carry tourists away from the oil-rich town to jungle lodges. The launches, full of foreigners looking for a taste of Amazonia, pass Yagua Indians commuting the other way for a taste of modern Peru.

Two hours' and one-and-a-half fuel tanks down river, past the confluence of the Rio Nanay and the Amazon, a launch from one of the so-called "exploration" agencies regularly deposits its complement of four tourists and a guide before earning its fuel back to town with any fares it can pick up from the riverbank. The hot fumes and congestion of the town fade quickly during the hour-long trek under the forest canopy to Yaminao, a bamboo camp.



Peruvian Indians: descendants of Inca whose empire stretched along the Andes

Unlike the prepared jungle lodges close to Iquitos with their bungalows, showers and middle-aged guests from Miami, Yaminao consists of three ramshackle huts on stilts, serviced by a mud brown stream where guests take a bath. Guillermo, the guide, warns visitors against bathing naked as the local candiru fish has a disarming habit, when drawn by urine, of lodging itself in body orifices.

The jungle is an obstacle course of hardwood trees with roots, shaped like dorsal fins, jutting across paths of slippery mud. The place is alive with insects. In the humidity the mosquitoes home in on trickling sweat unless you douse in espirales - the locally-made repellent - which sends most bugs into reverse thrust.

The sun rarely breaks through the foliage overhead and in the permanent twilight it is easy to slip and fall. Guillermo tells his charges to look out for lurking tarantulas, snakes and scorpions. "It does wonders for their balance," he says.

Some insurers are reluctant to cover all eventualities in the jungle, he says, at which point one of the gringos tumbles off a bridge - the trunk of a tree cut down across a stream - and yelps as the plant he grabs sinks its spikes

into his hand.

The rain started in drips as the guide turned his team back to camp. There, the two Dutch sisters who had left their husbands behind in Europe, carefully inserted cigarettes into holders and, swinging in hammocks, contemplated the young Peruvian as he dug out the spikes from the unfortunate's hand.

The "local shower" continued for two hours, pelting every exposed leaf until they glistened. Watching the varnished jungle close in with darkness, it was easy to understand what the save-the-forest campaigners are fighting for. On clear nights, the moonlight is strong enough to cast shadows in the clearing at Yaminao; farther away, fireflies flash on and off while the insects chatter.

In the early morning light we found ourselves paddling through a swamp in a dugout canoe, pausing occasionally to wade into the water and clear roots beneath the surface before emerging on to a small lake. Guillermo rummaged in a bucket and poured the contents overboard - chicken heads, feet, the odd feather. The water started to bubble and then erupted as the piranhas fed.

The dugout rocked alarmingly as Guillermo put his feet on the gunwales, dipped his bucket into the water and calmly emptied seven or

eight flapping piranha into the boat. It rocked further when the passengers struggled to get their feet out of range and started to bash the fish with every implement available.

Cooking the piranha, which appear to have more incisors than bones, Guillermo said it was safe to wade in the swamp because the meat-eaters do not venture into dark water. They looked tamer smoked over a camp fire than in the boat.

Paddling back across the lake, it was difficult to concentrate on the green parrots flying overhead rather than the water seeping into the dugout. One such parrot, determined to distract attention from the leaking craft, swooped down on to a landing strip of water lilies the size of restaurant tables.

Drenched and treading gingerly, most tourists are only too pleased to reach the comparative safety of the Amazon riverbank where the Iquitos launch makes a daily call. The low-slung boat takes most of the day to negotiate the upstream journey until the town's patchwork of corrugated-iron roofs appears at last around a bend in the river.

The mud and sweat of the rainforest is instantly appealing compared with the afternoon rush hour, but in Iquitos the best way to beat the traffic is to join it. The roads out of town soon empty once you get up speed on a hired motor cycle, even if its engine does splutter like a coffee percolator.

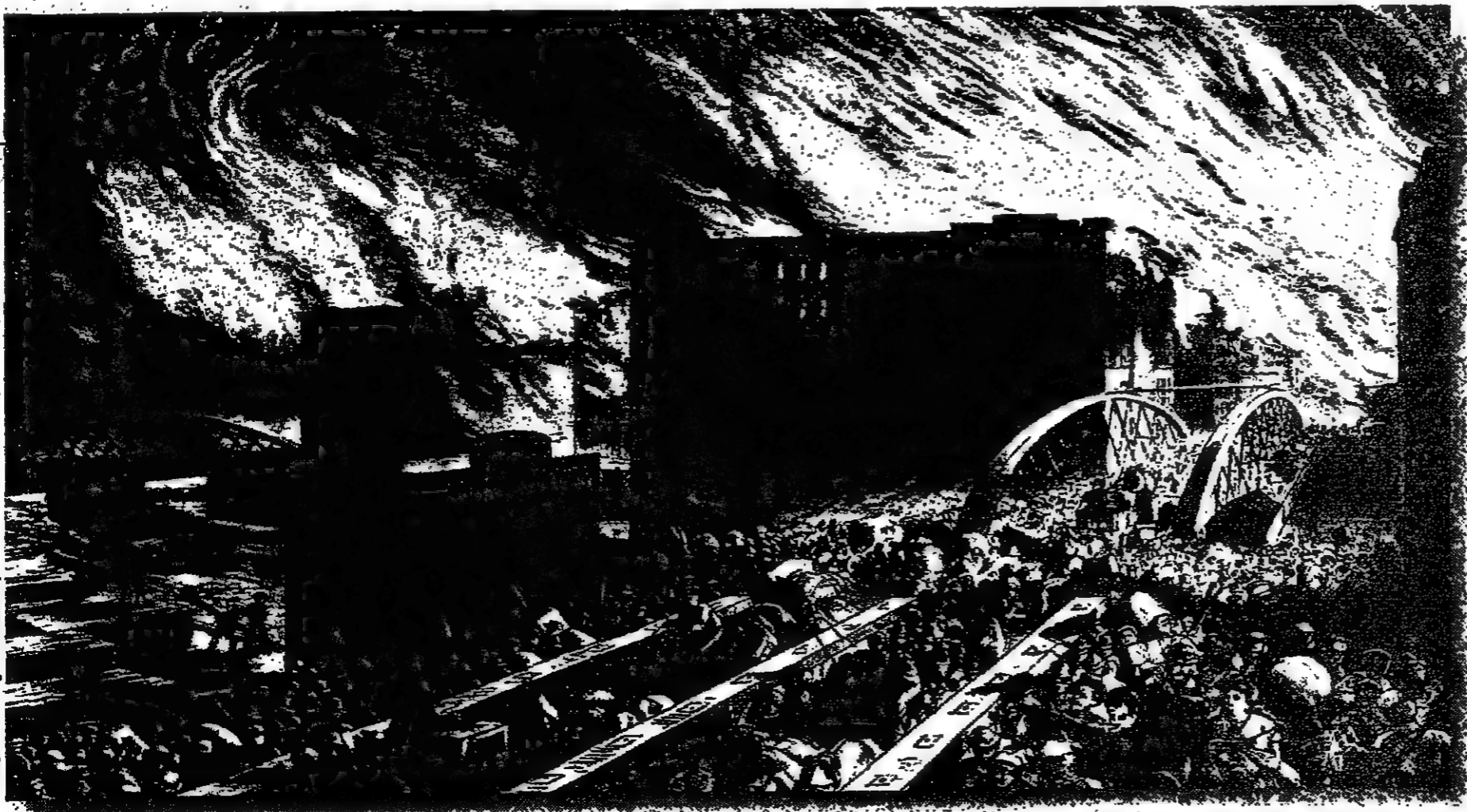
Quistococha is sited just where the road changes to an unpaved track into the jungle. The state tourist office calls it a "beautiful and wonderfully strange" place with "a small serpent house and specially prepared cages with some species from the jungle such as tigrillo, the otter and the ronsoco."

Close up it is a run-down zoo. The serpent house resembles a small Victorian conservatory but its windows were broken and it was empty. A couple of sloths were asleep in a tree beside the wire compound designed to house them, giving rise to the giggling suspicion that all the other inmates were also on the loose.

The vacant spider house induces most visitors to hail a rickshaw straight to Francisco Secada airport, where the frontier atmosphere continues on the bumpy flights heading west over the Andean foothills. Short of money and planes, Faouett, the country's third flag carrier after AeroPeru and the air force, offers no alcohol but gets its passengers to play bingo before take-off.

Strapped into seats with Altitalia embossed on the belt buckles, passengers are urged to cross off their bingo numbers as the ancient DC-8 rocks along the taxiway at Iquitos. The unlucky winner's prize is to sit with the pilot during the two-hour ordeal over the mountains and away from the jungle.

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PERSPECTIVES

Triremes among the nuclear subs

Christian Tyler investigates plans to build ancient Greek warships on Plymouth Sound

A STRANGE azure flag will be hoisted over the derelict garrison of Drake's Island in Plymouth Sound this Wednesday to the accompaniment of muttered prayers for a good following wind. It is the opening ceremony for what will surely count as one of the oddest schemes of the decade.

If those prayers are answered, Sunday strollers along the Hoe will, three years' hence, be stopped in their tracks by the sight of two ancient Greek triremes flashing across the sheltered waters of the bay. And if the gods are truly well disposed, the same vessels — probably the fastest oared ships in history — will in 1996 be transported to Greece for an exhibition of trireme racing to celebrate the centenary of the modern Olympic Games.

To have ancient Mediterranean warships sailing around sea lanes frequented by frigates and nuclear submarines may sound improbable. But the man under the flagpole on Wednesday, Professor John Morrison, a classical scholar and former president of Wolfson College, Cambridge, has already shown a talent for making the improbable come true.

In the teeth of academic scepticism, Morrison not only spent 40 years in the archives to demonstrate how the three-tiered, 170-oared galley would have worked, he also proved his theory, with the help of John Coates, a retired chief naval architect, by getting a trireme built in Greece. Since her launch in 1987, the *Olympias* has been lent out each summer by her owners, the Hellenic Navy, for sea trials off the island of Poros by European, American and Australian volunteers.

Swept along by an unexpected tide of public interest, Morrison's Trireme Trust last month secured the lease of Drake's Island from the Crown Estate. The Trust is now hoping to raise £12m to build the two ships and turn the island into an Aegean rowing school, archaeological research station and tourist attraction.

To those who find his scheme incongruous, Morrison replies that

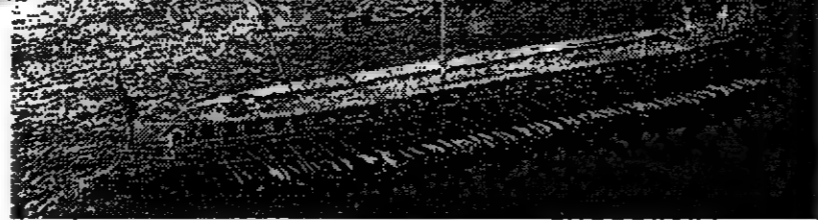


Prof John Morrison surveys the site of his planned trireme centre on Drake's Island. Inset, his first trireme, the *Olympias*, at Piraeus.

the Romans probably had triremes in Plymouth Sound at their naval station on Mount Batten. He also draws a parallel between Sir Francis Drake's defeat of the Spanish invasion fleet and Themistocles' extraordinary victory over the great Persian armada at Salamis.

While others may dream merely of sailing about in boats, Morrison and Coates are determined to make their venture into living history as authentic as possible. Their first concern has been to correct what they think was one important error.

Soon after the *Olympias* was launched it became obvious that the lowest tier of oarsmen does not have enough room to take a full stroke. That restricts the upper two tiers and therefore limits the speed of the 130ft



vessel to about eight knots when at full throttle. But ancient literature suggests the trireme was capable of sustaining seven to eight knots for hours on end, and even greater speeds when ramming its bronze-covered beak into enemy hulls.

Morrison went back to a passage in the work of the Roman architect Vitruvius which refers to the basic unit of measurement for Greek galleys as the "dipichlake" or double-cubit, defining the distance between one rowlock and the next. He concluded this word must refer not to the classical Athenian cubit of about 18in

(44.4cm) which he had unquestioningly adopted to build *Olympias*, but the pre-classical or archaic cubit of about 19in (48cm).

Correcting the mistake will add only about three metres to the overall length of the "stretched" trireme, but a great deal to its speed and stamina. Morrison explained his mistake to a seminar in Athens recently. "They looked very grim when they realised their ship was obsolete," he added.

Drake's Island itself is something of an historical curiosity. The Trireme Trust has leased a lot of crumbling masonry and gun emplacements spal-

tered with seagull droppings and the bones of small animals. Most of the constructions are listed as ancient monuments; even the bats are rare.

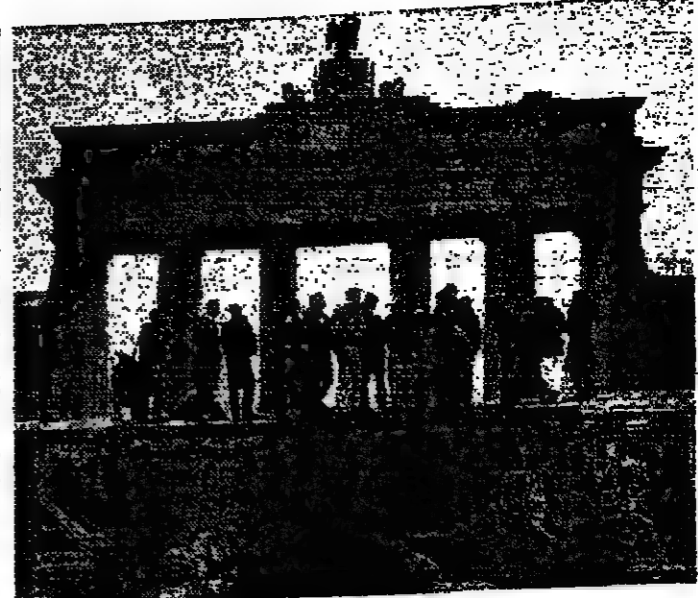
First fortified in 1551, the six-and-a-half acre volcanic rock was governed by Drake in 1583 and heavily garrisoned after the defeat of the Spanish Armada. It was a Cromwellian stronghold during the Civil War and a state prison after the Restoration.

An impressive battery of enclosed gun emplacements, or casemates, was built in 1860 to command the approach to Plymouth; but it seems they were obsolete even before they were completed. They will be converted into dormitories for the nearly 5,000 oarsmen expected to pass through the trireme centre in fortnightly batches each season.

A subterranean arsenal of crooked tunnels and large chambers may be converted into eating and meeting rooms. Negotiations have begun with hotel and catering chains which might be interested in developing and operating this part of the project, accounting for over two thirds of the £12m to be raised.

Although romantic and accessible — Morrison said it was the best of the places the Trust had looked at — the island has its drawbacks. The waters to the west, under Mount Edgcumbe Country Park, are strewn with iron dragon's teeth and other First World War anti-submarine obstacles which make them virtually impassable. The main channel runs on the eastern side but is in constant use by car ferries, warships and the nuclear submarines based at Devonport — not to mention summertime flotilla of yachts, power boats and windsurfers.

The Trust hopes that its two triremes, as well as introducing an element of sporting competition into the archaeology, will turn out to be a breeding pair. Rowing clubs in the US, West Germany, Italy and Yugoslavia have expressed an interest in building triremes. So if Greece does win the right to host the centennial Olympics Games in 1996, talk of a trireme race round Piraeus may not be so far-fetched after all.



The Brandenburg Gate in Berlin: Western bookshoppers are queuing up to sell their publications behind the Wall

A little red in the books

Capitalism threatens the cosy world of East German publishing

THE East German book scene, everything is changing. Every one is affected by the process — authors, publishers, booksellers, readers. In the former German Democratic Republic, the traditions of the educated German bourgeoisie were overlaid by ways from Slav lands — as well as Socialism. Books, above all those dealing with the finer side of intellectual life, were low-priced and issued in large print-runs, which were always quickly sold out. Books ranked as an alternative — the alternative to the official channels of information. The book business was dependent on its own authoritarian structure of administration, separate to that controlling the press media. But eventually, there grew up a half-way critical estate publishing industry.

Life in East Germany, mostly dull and without variety, but positive indulgence in books, to an extent which one otherwise finds only with the Slavs. And, as in these countries, authors were able to emerge as figures of some exemplary stature.

The book-selling trade was devoid of commercial risk. Each publishing house was characterised by the contents of its books. There was one monopoly company for German intellectual literature, one for foreign-language fiction, for children's books, for the arts, for theatre, for regional books, for politics.

These publishing houses were all state-owned. The private concerns, which existed immediately after the war, all lost their private status. The state agency controlling the book sector was a sub-department of the Culture Ministry. It was the job of this body to look after subject-matter, paper, quotes, printing capacity, and above all to give authorisation for printing — a euphemism for censorship.

The state's arm did not stop here. The Communist party also controlled the book scene through direct ownership of most publishing houses and nearly all printing works. Many publishing workers, as well as many authors, were members of the party. Their duty upon discovering this added to the general anger from autumn 1989 onwards.

After the political changes, the East German literary scene — in line with the rest of the economy — will have to face more competition. Literature's monopoly as an alternative information source has crumbled. Following the resignation of Erich Honecker, East German newspapers have become lively, bold and even investigative. This will hit East German authors. Their books will have to meet commercial criteria. Additionally, many sources of income will shrink or disappear — grants, embassies, payments for public appearances. There is a great deal of worry that this could eat away the aesthetic substance of East German literature. No one, apart from the authors, is likely to complain at the disappearance of works of pious Stalinism whose only reason for existence was to confirm the party line.

Commercial pressures will affect equally the publishing houses and the book-sellers. Neither are especially well prepared. State bookshops with their lifelines, self-service operations face particular need for adjustment. The more "customer-friendly" private bookshops have a clear advantage. By comparison with their West German counterparts, East German publishers have over-stuffed editorial departments, but far too few employees in advertising, rights, and sales. The large editorial departments have been feasible as a result of low wage levels, but they have also brought publishing benefits. Texts have been better prepared, translations carried out with greater care. Stylistic and orthographic slovenliness is less common than in West German books. East German publishers are none the less over-sized. Com-

panies with annual output of 50 books employ 40 to 50 people — staff levels which will not be possible to keep up. As soon as the East German currency is replaced by the D-Mark, every German-language publishing house will be able to sell its books all over Germany. Some East German publishers have built up their business almost exclusively on the basis of licensing rights between the two states; they will have to close down. Other companies are already competing with West German publishers which are not waiting for currency unification and are pressing in on the East German market. The largest West German book club, Bertelsmann, has made a spectacular promotion launch in Leipzig, and gained 30,000 subscribers. One large Stockholm publisher has set up in Rostock. Other companies have launched sales campaigns in bookshops.

There are already dozens of newly-established East German publishers, with as many as 150 said to be in the planning stage. In the most favourable cases, the new concerns will have loose agreements with West German companies. But mostly idealism will have to make up for lack of both know-how and capital backing. It can be assumed that most of these new ventures will be only short-lived. East Germany once was a land of readers. People bought books because there was not much else to buy. All this will change. The place will become a country of consumers, like everywhere else in Europe. People interested in books will be in the minority.

Something is emerging in East Germany which, officially, was never there under the old regime — hatred of foreigners. Of course, it was always there, but it was never mentioned in the controlled press, nor the subject of any public discussion. Polish newspapers have recently been complaining about increasing cases of brutal treatment of their compatriots in East Germany. In one shop in East Berlin, the personnel chased out a pregnant Polish woman with shouts of "Schmalz raus!" Several Latin American students in Leipzig have had to be hospitalised after being beaten up by East Germans. Some foreigners are apparently afraid of using pedestrian subways after 11 o'clock at night; others avoid the bars.

There are 160,000 "guest workers" in East Germany, of whom 90,000 come from Vietnam and 14,000 from Mozambique. East Germans tend to call them names. One man from Mozambique was thrown out of a train near the Saxon industrial town of Riesa. The perpetrator was given a light sentence, he refused to say he was sorry, and the grounds that foreigners were taking away jobs from East Germans. The East German government has reacted to all this by creating a new post of a state secretary responsible for foreigners. She is a theologian. East Germany is becoming, like West Germany, a multicultural society. Along the way, the East Germans are displaying phobias, typical for underdogs.

Rolf Schneider

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Sister Superior

Origin of life

From Page 1

stant) vary by a factor of two. From this, cosmologists can work out the age of the universe.

How do the various different types of astronomical object — quasars, galaxies, stars, planets and so on — form and evolve? The telescope will be able to observe them at different stages of evolution.

Is matter distributed as evenly through the universe as it seems to be from Earth-based observations? Or are the galaxies grouped in large-scale structures, possibly extending over billions of light years, which have so far eluded astronomers?

How dense is the universe? And is its rate of expansion slowing? The answers to these two related questions will determine whether we live in an "open" universe, which goes on expanding eternally, or a "closed" universe, which will eventually start contracting back into a Big Crunch.

One of the great mysteries about the universe observed from Earth concerns its "missing mass" or "dark matter". By studying the gravitational forces acting on visible stars and galaxies, astronomers calculate that the matter actually observed may be only 1 per cent of the total "out there".

Some of the missing mass may be gas — or cool stars too faint to be seen from Earth, but detectable by the Space Telescope.

However, much of the missing mass is almost certainly of a different sort, perhaps subatomic particles left over from the Big Bang, which interact only very feebly with ordinary matter and are therefore extremely difficult to detect.

Theoreticians have proposed a range of new particles as candidates for the dark matter. Many have bizarre names: heavy neutrinos, axions, photinos, Higgsinos, gravitinos and others. But the first wave of results from LEP has made it more difficult to explain the dark matter, says Dr John Ellis, leader of the Cern Theory Division. By limiting the number of fundamental building blocks of matter to three families and failing so far to find any new exotic particles, LEP has excluded many possibilities for the creation of dark matter in later stages of the universe. So it seems whatever is out there must have been produced from incredibly concentrated energies in the Big Bang.

It is impossible to predict the outcome of a scientific revolution. But if the Space Telescope confirms what many astronomers now suspect — that invisible subatomic particles rather than conventional matter are the dominant material in the universe — scientists will have to solve the mystery of the missing mass before they can finally formulate a Grand Theory. But perhaps the most exciting possibility of all, is that, as happened when Galileo saw stars as fiery objects blazing out into space, the Hubble telescope will confound all our present wisdom and show us something utterly beyond our expectation.

Archaeology

Saxons and secrets

Gerald Cadogan digs into recent discoveries on the missing 700 years in the history of London

(Seaby £16.50)

A dig in 1961 under the Treasury in Whitehall revealed a sizeable hall, thought at the time to be an outlying farm. A gold ring was found in Garrick Street, and two glass bowls came up in a stone coffin when St Martin in the Fields was rebuilt in the 18th century. All are in the British Museum.

Another clue was in the place names such as Aldwych and perhaps Fleet (fleet: a place where boats float, where the Fleet river joined the Thames at Blackfriars presumably), hinting that the Strand might once have been the centre of Saxon London.

The breakthrough came when a dig at Jubilee Hall in Covent Garden in 1985 found a burial and a timber building of the 7th century. Since then, the Saxons have been sighted in 20 other digs above and below the Strand.

We now know that London was not a remote island, but a busy town, and that the Strand was a major thoroughfare.

west to Trafalgar Square and perhaps south to Whitehall, although the ground was low and marshy where the Tyburn river came down to the Thames. Eastwards it stretched to Aldwych. Beyond that there are only chance finds up to the Fleet river, though St Bride's Fleet Street may date back to this time.

At Ludgate Circus there would have been a bridge or ford to take people to St Paul's in the walled city, and to bring out Roman building materials for re-use in the new London to the west. Huge gravel pits beneath the Salisbury extension of the National Gallery supplied road surfacing.

They are so big that the London Museum archaeologists conclude that the community as a whole kept the roads up. At the other corner of Trafalgar Square the cemetery with the glass bowls suggests that this was when St Martin in the Fields began.

London thrived on trade.

As the chief town, it had links with settlements in the country at Battersea, Northolt, Shepperton Green, Tottenham Court Road and Barking. But the river mattered most. That brought stone quarries for grinding corn from Hythe and the Rhineland; pottery from northern France and the Low Countries; and Continental grapes and figs and of course wine.

Reports are more difficult to trace. Likely items are cloth and slaves. Slaves were an old business. Before the Roman conquest England used to sell them to the Continent in exchange for wine. In Saxon times Pope Gregory redeemed them in the slave market in Rome to send back to help convert the Saxons and Angles.

Franks traded slaves from London in the 7th century. Even the 11th century Domesday Book lists slaves and a Bishop Wulfstan denounced the Dublin-Bristol slave trade.

For food Londoners had bar-

22,000 to the yearly school fee. However, as Hamilton explained: "If the parents are keen on horses and have the money then it doesn't really provide a problem. And they would be spending that kind of money on their child if their child is a horse and not riding through the school." There are only four schools in the country, of which Stonar is one, that have on-site riding facilities.

The parents play a large part in organising the event. Stonar will accept a fee of £200 per year for each child, but the cost of participating horses but many parents tend to, as Michael Mavor, Gordonstown's headmaster put it: "Muck in and do it themselves." For instance, one parent organised a weekend's training prior to last year's ISODE and another arranged for livery. It helps cut considerable costs.

But it all seems to be worth it so far as the children are concerned. They agree that it is a good day out. Alice Mayhew, who took part in last year's event, was thrilled to get a clear round in the cross-country course.

"It's hard work having a horse at school. Everything has to be done out of school time. But to be able to participate in an event that makes you feel you're at Badminton is fantastic."

In September, during finals weekend, Stonar will be invaded by hordes of horse-loving parents, horse boxes arriving from all over the country and teams of eager young equestrians hoping desperately they don't get caught out by the waterjump.

Add champagne, sandwiches, laden hampers, Land Rovers, professional judges, speakers and trade stands and it will almost look like the real thing... at least as far as the children are concerned.

Horses for school courses

Melanie Cable-Alexander canters across a kind of 'mini-Badminton' for public school pupils



'And here comes Majorie on Doty Danny...'

Stonar and Harrow, entered the competition from which 40 teams of four were selected to compete. This year, to cope with extra numbers, three regional heats have been set up in the Midlands, York, in northern England, and Reading, in Berkshire, before the September finals at Stonar.

In true 1982 spirit event organisers hope to be able to invite European schools to compete. Already an Hungarian school has responded and hopes to be able to compete this summer.

Perhaps the most surprising, not to say remarkable, feature of the event is that the woman responsible for putting the competition into action is a non-rider. The only contact that Sue Hamilton, Headmistress of Stonar, has had with horses has been since she

joined Stonar five years ago. Yet she has created an event looks set to put Stonar at the top of the horse league — previously dominated by Millfield — for children and, as *Horse and Hound* think, might even start drawing Olympic team scouts on the look-out for future stars.

"I am scared of horses," she admitted as she took me on a tour of Stonar's cross country course last weekend, "and the worse thing is they all know it." As if to prove her point a nearby pony charged ominously towards her. She darted for cover behind one of her pupils who calmly shooed the offending creature away.

Funding for ISODE has come largely from the school, which spent £15,000 converting its existing cross country course to meet British Horse Society

regulations, and from Hampton. There is also a £50 entrance fee per team which goes towards the upkeep of the course and running costs. And there has been the odd private donation; for example a businessman paid for a new cross country course — necessary for the regional heats — to be built at Mere Hall in the Midlands. But a large percentage of the bill has to be met by the parents and it is not cheap.

For a start there is the cost of purchasing the pony, then there's the tack, the riding gear, lessons, transport and livery. Last year Gordonstown (second in last year's event) flew their children down to Stonar but as the Headmaster's secretary sharply told me: "We all have to do that from up here."

All this can add an extra

Property

To the manor drawn

Michael Hanson on country house opportunities

IF YOU want a manor house in the M40 corridor, it will cost you the best part of £1m, according to estate agent Knight Frank and Rutley. And prices for the most desirable houses in Buckinghamshire, Oxfordshire and Warwickshire have risen only slightly since the M40 extension was opened in 1988.

Even the farmhouses are some of the most expensive in Britain, costing anything up to £500,000 on average. Far better to look for a country cottage, for average prices of these in Oxfordshire are as low as (£100,000 lower than) those anywhere in the south-east other than Bedfordshire. For as little as £200,000, you should have the pick of the market.

Despite the protests about the M40 extension from Oxford to Birmingham, its completion next year will give a boost to properties along its route. Passing as it does through relatively unspoiled countryside, it will attract commuters who have had no ready access to a motorway.

Adrian Cole, manager of William H. Brown's country house department at Wendover, says people will commute greater distances in order to enjoy the

higher quality of life in villages on the borders of Oxfordshire, Buckinghamshire and Northamptonshire that have escaped the extensive development now so prevalent in the southern Home Counties.

Anticipating events, the agency has opened an office at Buckingham (tel. 0298-822-711). Along with Humberston (01-629-6700), it has been instructed to seek offers of £475,000 for Pond Farmhouse, a five-bedroom house at Liftings, four miles from Buckingham, with stabling for five horses and five acres of gardens and paddocks.

Richard Taylor, director of the country department of Hampton & Sons, says: "The quick completion of many sections of the M40 has already brought with it a healthy preliminary boost to property prices, especially around Warwick and the market town of Banbury." Offers over £275,000 are being sought for Senen-

dome House, a Grade II-listed, 17th century building fronting the village green at Sharnington, five miles west of Banbury, and £325,000 for the three-bedroom Edge Cottage at Edgehill, between Banbury and Warwick. Both properties are being handled by Hampton offices in London (01-43-8224) and Evesham (0296-41397).

Jan McConnell, head of the Banbury office of Savills, says that since the route of the M40 extension from Oxford to Warwick (via Bicester and Banbury) was announced two years ago, a new criterion for buyers has emerged - properties that are within 20-30 minutes of the new motorway.

"The downturn in values over the past 18 months has been partially counter-balanced by the anticipation that the M40 will open up new areas of growth and prosperity," he says.

Savills' Banbury office (0295-283-535) is seeking

£275,000 for Church Farmhouse at Brington, between Bicester and Buckingham, a five-bedroom house on the edge of the village with stabling for eight horses (as befits its owner, show jumper Paddy McMahon).

Savills - jointly with the Oxford office of John D. Wood and Co (0865-791-831) - is also asking £300,000 for Wistaria House in the Northamptonshire village of Eydon, nine miles from the M40 extension. Owned by TV producer Robin Brown, who makes the award-winning TV series *Nature Watch*, the gardens of this five-bedroom, grade II-listed, 18th century house are a sanctuary for wildlife and plants.

Brook Farm at Kingswood, near Aylesbury, Buckinghamshire, is only about eight miles from the M40 extension at Bicester. This six-bedroom Victorian farmhouse has been modernised and has a range of farm buildings in its 4.5 acres of gardens and paddocks.



Wistaria House, the Northamptonshire home of TV producer Robin Brown, which is on the market for £300,000. Its gardens are a sanctuary for wildlife and threatened plant species

Offers of £425,000 are being sought by the Oxford office of John D. Wood.

The Oxford office of Knight Frank and Rutley (0865-790-077) has four former rectories for sale at prices from £230,000 (for the five-bedroom Church End House at Great Rollright) to more than £250,000 for Wootton

Place, a seven-bedroom house in 14 acres of walled gardens and park at Wootton, about five miles from the M40 extension.

Through its Middleton Cheney office (0295-710-592), Lane Fox is asking £600,000 for the seven-bedroom Old Rectory at Heth, four miles from Bices-

ter, while the Oxford office of Carter Jonas (0865-511-444) wants £240,000 for the Old Barn in the High Street at Beckley.

This former barn, converted to a four-bedroom house in the 1920s, is about four miles from the M40 extension. Paul Joslin, of Carter Jonas, says: "The greatest change has been seen

in the northern part of the county, which was previously regarded as being out in the sticks. Now, with the M40, London is within one hour's driving distance."

Even in the Cotswolds, the M40 is regarded as the fastest link to London. In its glossy brochure for Cromwell House at Naunton, near Cheltenham, Gloucestershire, the Cirencester office of Jackson-Stops and Staff (02835-653-334) says that "London can be reached via the M40 within one and three-quarter hours" - which is why this six-bedroom, Grade II-listed village house is for sale at £475,000.

At the start of this article, I mentioned manor houses in the M40 corridor. These are few and far between, but Humberston is asking £1m for Moulshford Manor, between Goring and Wallingford in Oxfordshire. This has been a hotel and more recently a nurses' training college, and it stands in 10 acres on the banks of the Thames next to the local church. As for motorway access to London, anyone who buys it will be spoiled for choice because the house stands between the M4 and the M40.

Churchill's hideaway

WHEN THE members of the International Churchill Society (whose headquarters are in the US) mount one of their regular pilgrimages to England, they always make a point of visiting Lullenden Manor, near East Grinstead, in West Sussex.

They know - as few in the UK seem to - that Winston Churchill lived at Lullenden from 1917 to 1922, when he bought Chartwell, near Westerham, in Kent, his country home until his death in 1965 at 28 Hyde Park Gate, London.

Having married his darling Clementine in 1905, Lullenden rang to the sounds of their children - Diana (born 1905), Randolph (born 1911) and Sarah (born 1914). A third daughter, Marigold was born in 1918, only to die three years later, and their youngest daughter Mary (later to become Baroness Soames)

was born on September 15 1922.

Churchill had bought Lullenden in the spring of 1917 for £5,000 - £1,000 more than he was to spend on Chartwell - as his country house, where his wife and children lived, but he also had a town house at 41 Cromwell Road, South Kensington. Although it has been said that Churchill raised the purchase price by selling some shares, the conveyance shows that Lullenden was owned by the trustees of the will of Lord Randolph Churchill, his father, and all the documents were signed by his mother, Jennie.

Churchill was at that time Liberal MP for Dundee, and on July 1917, Lloyd George appointed him Minister of Munitions in the war-time coalition government, which only left him time to go down to Lullenden at weekends.

Once in 1918, Lloyd George, who



Lullenden Manor: Savills are inviting offers of £2m for the house and 100 acres to their London (01-738-0522) and Sevenoaks offices (0732-485551)

had another Sussex house, Denny Park, near Hassocks, as his country retreat, visited Lullenden and Churchill showed him the potato field he had helped to plant.

After the war, Churchill was re-elected and became Secretary of State for War and Air, and then Colonial Secretary.

Although his postal address is given as East Grinstead, Lullenden Manor is actually just outside Lingfield. People have lived all their

lives in Lingfield without knowing the house exists. Its steep entrance drive is well hidden and not marked, but, rounding a corner in the drive, one comes upon a wonderful half-timbered Tudor house, originally a yeoman's farmhouse, but considerably extended, and enjoying glorious views south over Ashdown Forest.

The main house, which dates from 1624, has six bedrooms, five reception rooms and a three-bed-

room guest wing. Close to the house is a timber-framed barn, converted during Churchill's time into the nursery for his growing family, but now a very comfortable five-bedroom house. Both house and barn are Grade II listed buildings. There is also an entrance lodge and a staff cottage, and the gardens, grounds and woodlands extend to 100 acres.

A mature copper beech tree in the garden was planted in 1913 by Churchill - it can be seen as a sapling in three paintings he made of Lullenden, which are now at Chartwell.

Lullenden was sold by Churchill to General Sir Ian Hamilton, Lord Kitchener's chief of staff in the Boer Wars, and aide-de-camp to King George during the First World War. Hamilton resold it in 1929 and it changed hands again in 1936 and 1946, when it was bought by Major Idesbeld Floor, a much-decorated member of the Belgian Resistance movement who worked with the Special Operations Executive during the Second World War.

All the linenfold panelling doors at Lullenden were bought by Major Floor and his wife from other houses. He died in 1978, and it is his family who are now selling the estate. Lady Churchill, who revis-

ited the house in the '70s, told the present owners, Mr and Mrs Dermot Wellesley Wesley, that she always preferred Lullenden to Chartwell, which cost a fortune to run. "Buying Chartwell," she said, "was the only thing Winston did without telling me."

Savills are inviting offers in the region of £2m for Lullenden. In today's market that sounds rather a lot, but the house has to be seen to be believed. It is one of the best-maintained of its kind that I have seen, and one can understand why Churchill fell in love with it.

It is not far from Birch Grove, the home of another great Prime Minister, Harold Macmillan, which was sold last summer to an overseas client of Knight Frank and Rutley who is believed to have paid about £2m for the house and 685 acres.

Next to Lullenden is Gotwick Manor, a 1930s house in 120 acres, which was bought four years ago by a Swede, Feder Wallenberg, for more than £1m. Since then the whole estate has been restored and modernised, and its eight cottages are available to let through the Gotwick Manor Estate Office at rents from £9,500 to £13,500 a year. After the Chanak Crisis in the

Dardanelles caused Lloyd George to resign on October 19 1922, Churchill fought the general election while recovering from acute appendicitis. Beaten into fourth place, he found himself "without a seat, without a party and without an appendix," but was appointed a Companion of Honour in the resignation honours list.

He also had a new interest - his 300-acre Chartwell estate - where he virtually rebuilt the ugly Victorian house with the help of Philip Tilden, who was Lloyd George's architect at Chart. For the first six months, he rented a nearby house called Hovey Ridge, which the Sevans office of Savills sold last autumn for over £800,000.

It was another two years before he returned to politics. Standing first as an independent anti-Socialist in a by-election in Westminster in March 1924, which he lost, he stood for Epping as a Constitutional Unionist in September 1924, when he won the seat and accepted the Tory whip. Stanley Baldwin appointed him Chancellor of the Exchequer. The rest, as they say, is history - all our histories.

Michael Hanson

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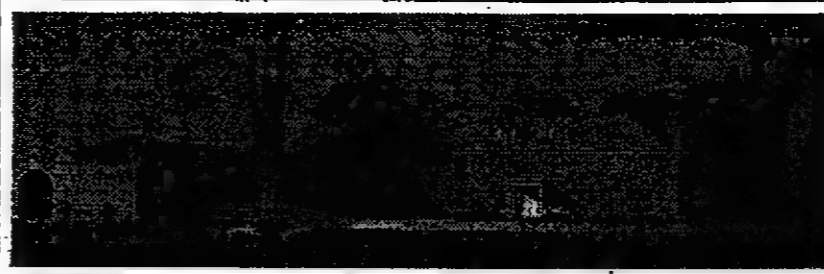
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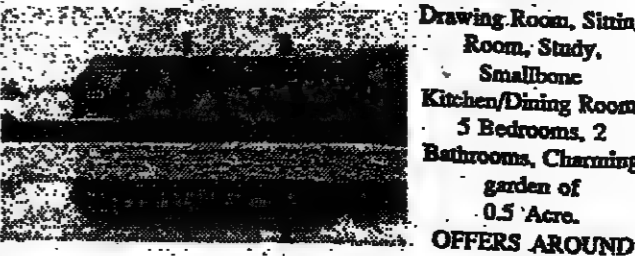
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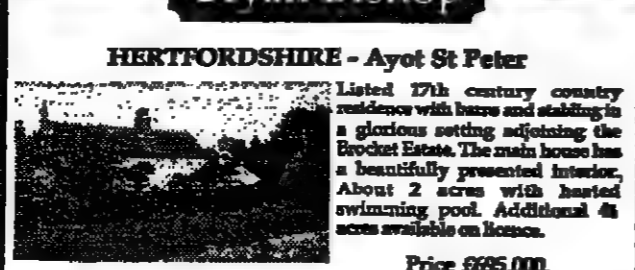
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DEVON - Okehampton 5 miles. Exeter (M5) 26 miles. An elegant mid 19th Century Grade II former rectory. 3 reception rooms, 5 bedrooms, 2 bathrooms. Oil central heating. Former coach house/stable block with potential for conversion to a cottage. Garaging. Stabling. Outbuildings. Attractive party walled and well stocked landscaped garden. About 4 acres. Region £400,000. Exeter Office: Tel. (0392) 215631. Ref: LANC4780.



DEVON - Sampford Courtyard, Okehampton 4.5 miles. Exeter 22 miles. A fine Victorian former rectory currently used as a residential home situated on the edge of a pretty village. 7 bedrooms, 3 reception rooms. Former coach house with potential for conversion. Oil heating. Lightly wooded gardens. About 4.5 acres. Region £450,000. Exeter Office: Tel. (0392) 215631. Ref: LANC4780.

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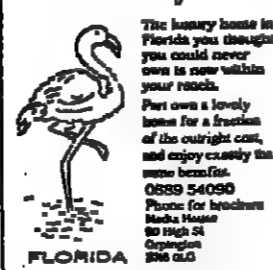


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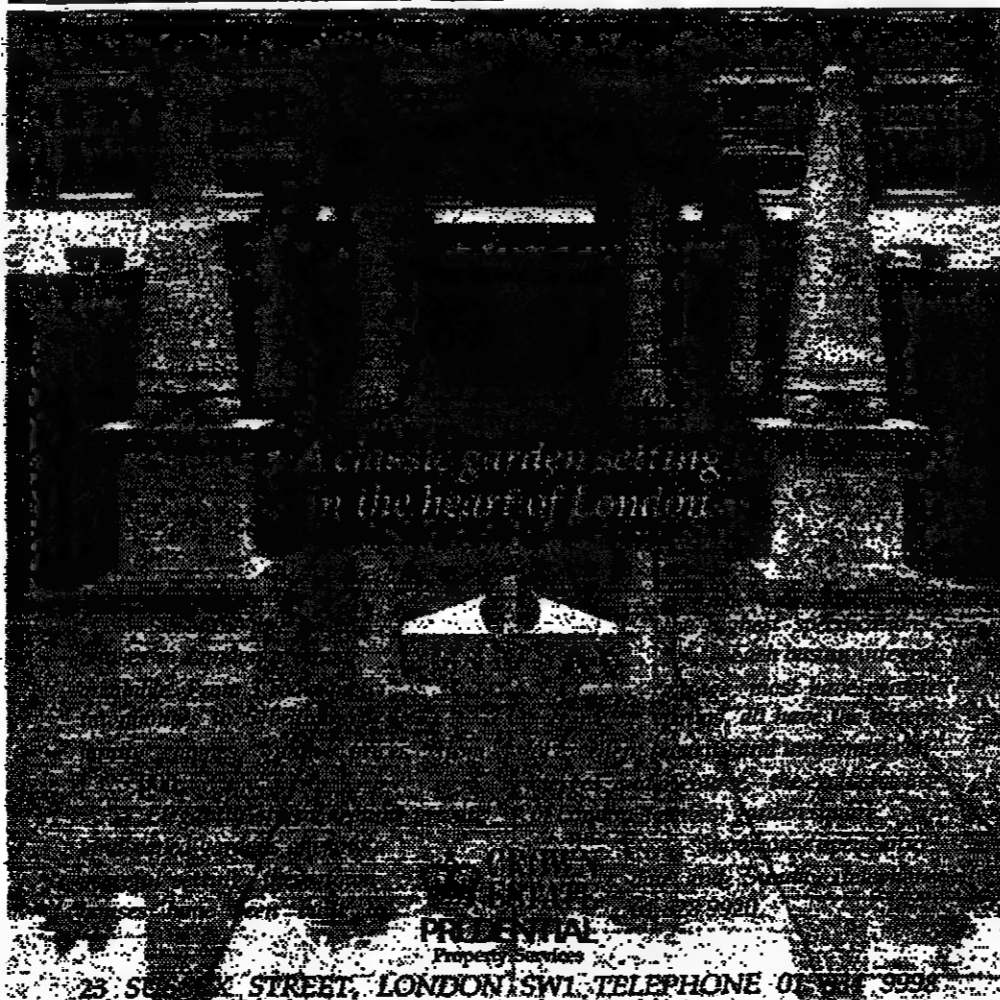
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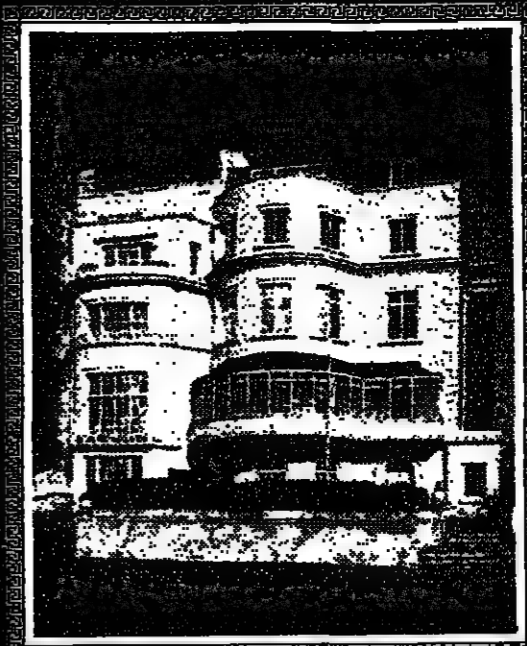
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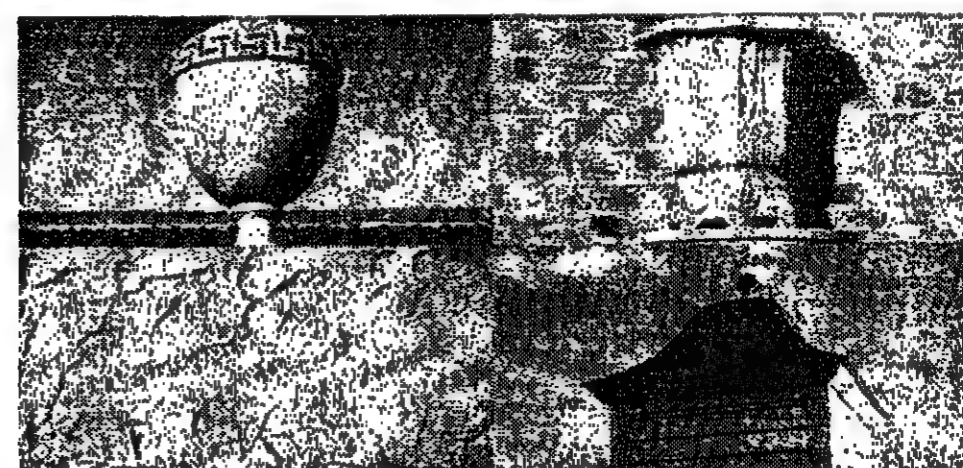
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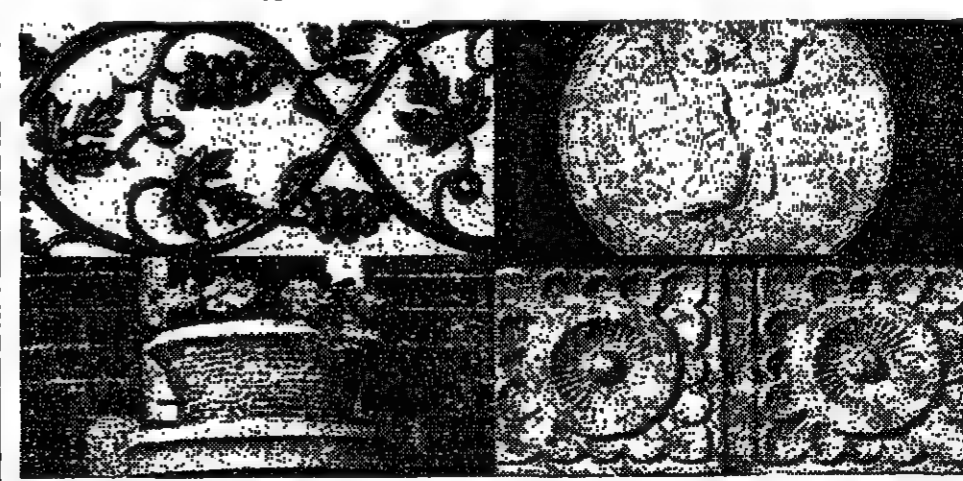
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Ffiona Swabey finds that Spanish living is not always easy

My telephone was in the name of the owner (male) before the one

trial dispute. The following day, I had to return to England. Another day, another morning in Moscow, perhaps another day, I have to have the name and working address. Ironically, while it is difficult to pay utility bills and have contracts put in your name so they can be settled by standing order, the services are excellent. Once (when my telephone was connected, there was a fault on the line), I stopped. The service was a toss and the engineer came in minutes. Rubbish is collected every day and gas is delivered within the hour.

All gas in the area is bottled. Before

Water and sewerage rates are payable at the town hall, four months in arrears. Most people in Alora settle their accounts with cash. I went hoping to arrange payment through my bank. Yes, said the clerk, just bring in your *escritura* (which, by now, I had learned to carry with me at all times) and the previous receipts (which I didn't have). Fortunately, the clerk knew my banker; that was one battle I won without even having to fight. Now, all my bills are settled by the bank but this account remains in the

Calling in to see my banker before I left Alora recently, I was told he had gone to "Europe." Spain might be part of the EC but it could be many more *mananas* before transactions are easier. Still, despite the frustrations of dealing with all those mundane matters, my Spanish has definitely improved and the jasmine still flowers all the year round.

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Paintings to cherish

William Packer reviews the Gelman collection at the Royal Academy

FEW TRUE collections are ever put together by purely scholarly or academic criteria, and they always likely to prove the more boring, Personal taste and particular interest may be informed by the most rigorous judgement, but the truer test is always the delight afforded by the intuitively accumulated result. Within the chances of what the market makes available, the collector is bound only by the rules he sets himself, ever free to put what he likes with what, that sits so well with its neighbour, or the other, or the curators. The historical and critical context has its place in

the museum, but on private walls it is a fundamental principle that if a work is good enough in itself, it will sit comfortably with its peers of whatever school, or period, or kind.

So it is with the Gelman Collection, lately shown at the Metropolitan Museum in New York and now come to fill the Fine Rooms of the Royal Academy in London (until July 15: sponsored by Guinness). For here, going far beyond any call to improve the shining hour by more serious study, is the thrill of the unexpected. The particular pleasure is in treat upon treat. True, the visitor may wonder Picasso early.

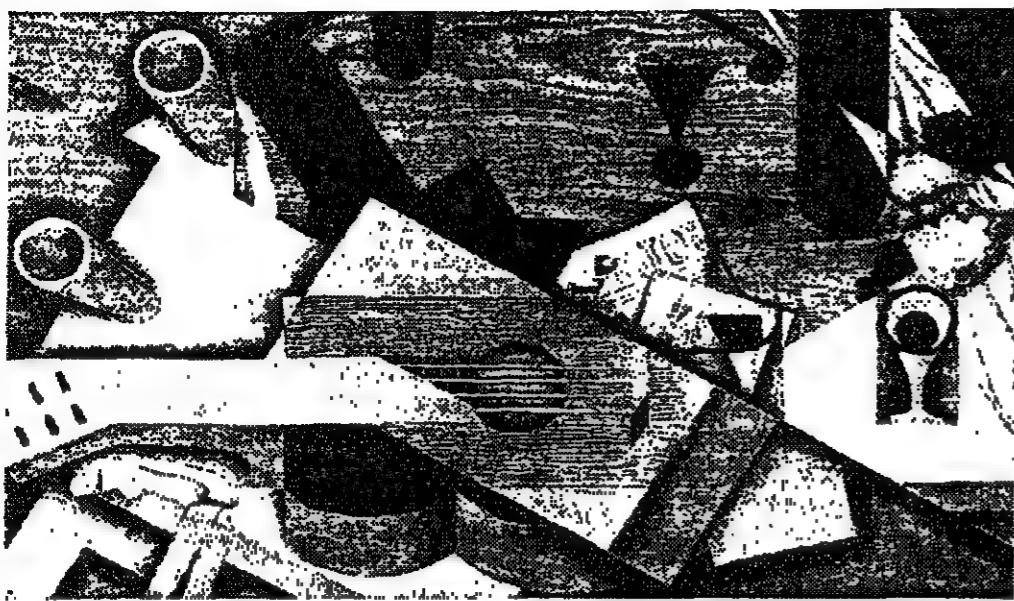
middle and late as he passes around three walls of the largest room, or compares directly Brague the cubist with the Cubists, or Brague the fauve with Matisse, or Bonnard with Balthus, Miró with Dali, Ernst and Tanguy, or any such recognitive game as these: but what is really being celebrated is each individual work for what it is in itself, in the paint on the canvas, the colour, the drawing, the image.

Jacques and Natasha Gelman, expatriate Russian and Czech who met in Mexico in 1935, before the War, and became Mexican citizens, began this collection (they formed others, of Mexican

pre-Columbian and modern art in the 1940s with the Rodin, Degas and Renoir bronzes and the several surrealist Picasso heads of a woman of 1927. By the early 1950s it embraced Bonnard, Vuillard, Rouault, Gris and Modigliani, Braque and Derain, and has continued to grow ever since, with evident spurts on particular artists, as chance or interest allowed. All but one of the Giacomettis were bought in the late 1960s, for example, and a pair of Tanguys in 1968. And while Picasso has been bought at regular intervals throughout the period, amounting now to 14 works, Braque with five since 1964 and

Miró too, with nine bought over the years since 1969, the nine by Matisse were all acquired between 1967 and 1968, all five Bonnard by 1963, and the last two by 1964. As an active as collector in the 1960s as in the '70s, '60s and '50s before them, Jacques died in 1986, but Natasha has continued to add significantly to the collection, including the last two Bonnards and the last of 1967, from Picasso's late period, and the magnificent early landscape, of *Mountains and olive trees at Taragona* of 1919, by Miró. In this present period of such grossly inflated prices it is something of a conundrum to learn that the true value collector may still flourish.

Some believe it wrong to hold great works of art in private, that should always be available to the public, and certainly no one but an accountant can see the benefit in shutting up masterpieces in a vault. But it remains a most curious thing that works that



'Still Life With a Guitar.' 1913. by Juan Gris



'Boy in a Striped Sweater,' 1918, by Amedeo Modigliani

pass straight from the artist onto a public wall, without at least an interval in private hands, so often seem sterile and imaginatively inactive. It is as though it is necessary for the artist to be somewhat estranged, cherished a little and so charged up by a personal and intimate attention. To walk into the first room, with its white, fluted columns, the interior of 1916 before the door, and on through the room full of Matisse, to Modigliani, Chagall and the small girl in purple of the 1920s, the period, and on again to Braque, Gino and Miró, Giacometti, Rouault and Balhaus, is to begin to understand.

A gremlin got into the corner of the bridge and the piece I had left for your education and delight in the week before Easter vanished into thin air, by which time I was safely incommunicado abroad. I think the three shows I then reviewed were still on, albeit in their last few days. Indeed, Peter Blake's *Hommage to Marigny*, Monroe at Waddington (11 Cork Street), and the other two, of which I wrote, of Alison Britton's, two beautiful and monumental pots, bowls and jugs, at Contemporary Applied Arts (42a, Portico, Strand, WC1), and Francis Freese's latest paintings and sculpture at the Redfern (20 Cork Street), have another week.

I can do no more now than say that three of them are superbly.

Holly goes under the hammer

Antony Thorncroft finds that it's rock 'n roll time in the salerooms

HAVE YOU heard the one about the man who gave Des O'Connor £80,000 for helping him out with a few jokes? The indestructible O'Connor, who has replaced the mother-in-law as the butt of other comedians, hopes to have the last laugh as a comedian at Phillips, when a guitar given to him by Buddy Holly goes under the hammer carrying a top estimate of £50,000.

The odd couple toured the country together and Holly enjoyed the experience enough to have the guitar constructed. It should have been a birthday present but within a year Holly was killed in an air crash and the myth makers began their work. One of Holly's most devoted fans was David Howery, who assembled the largest archive imaginable of artifacts to have a museum dedicated to singer who died before he could fade away.

Phillips was hoping to make £250,000 from such rare material.

The man is the centre of a committed cult and never again will such a mass of mementoes, ranging from his High School year book; postcards he wrote from England containing his impressions of the weather; his harmonica; his wallet, in all over 140 lots, be on offer. Some of the prices seem extraordinary – two pairs of sunglasses each with an estimate of up to £14,000; his black suede loafers for up to £2,000; his watch to be worn on stage for £80,000, but it only requires two fans to bid each other to the limit for Phillips' gamble to pay off.

By an odd chance Christie's South Kensington is offering a Buddy Holly suit next week – with a £4,000 estimate. But this time the bidding is expected to doze, not carry the appeal of a stage suit. Even so, a Holly

line years ago and has gone from strength to strength. By grouping their auctions it is hoped that the big American dealers, the avid restaurant collectors like the various Hard Rock Cafe's, and the increasingly important Japanese buyers, will reckon it is worth spending more money to get some interesting prices in certain areas demand is expected to be good. At such auction middled aged successes enter the market seeking a tangible memory of their youth.

The auctions have always been a success story, and the Japanese buy nothing but. Some aspects of Beethoven have been dropped - the merchandise tended to be produced in vast quantities and even rare sounding items, such as a complete, 77 issue run, of the Beatles fan magazine, has been dropped. The Beatles and valued in prices, \$2000 in a couple of years, \$2000 in

costumes that the Beatles wore in a TV programme in 1964 when they appeared in a skit on *A Midsummer Night's Dream*. This is a unique chance to acquire a dress worn by John Lennon (he was Thibault), and the estimate of £10,000 for such items looks reasonable.

With a little more money, you can acquire a copy of the book on Irish folklore which includes the quote "no person of the name Lennon has distinguished himself in the cultural life of England," to which John has indignantly added "oh yes!"

For the Beatles, Elvis Presley naturally has his collectors and Sotheby's hopes to beat the £28,500 achieved by Phillips two years ago for an Elvis Presley stage costume. Its example dates from 1972 and is a cream jump suit with red silk inserts. (In comparison with the stage jumpsuits of 1974 looks like a piece of 1880, as does David Bowie's of 1980.



Elvis Presley's stage get-up, circa 1972: a cream jump suit with red silk inserts. Sotheby's is looking for more than £25,000

stars, preferring to rely on the patina of past reputations. But it is including a waistcoat worn by Matt Bros (estimate £200) because any money raised is going to charity.

Phillips have much cheaper Monroe dresses on offer next week. This time Christie's is seeking a modest £400 for two snapshots of a thirteen-year-old Errol Flynn, already quite a

Serious rocks in New York

**Homan Potterton drools over
jewels coming up in the saleroom**

WHEN MARILYN Monroe sang "Diamonds Are a Girl's Best Friend" in the film *Gentlemen Prefer Blondes*, she knew what she was singing about. Of all precious stones it is the diamond which still stands supreme in the world of gems and commands the highest price. In auctions of *Magnificent Jewels* to be held at Sotheby's and Christie's New York from April 23 to 25 there are several superb examples of diamonds of all colors, outshines (literally) all others. This is no mere precious stone, this is a rock. It is the sort of best friend that many girls would want to have. Ruby's estimate that she will fetch between \$4m and \$5m.

today, since the development of the Argyle Mine in Australia, they are less so.

One special diamond at Christie's, although by no means the most expensive, is the famous "Big Boy" Baroda. This is a washed, 24-kt stone, probably discovered in India in the late 15th century and it belonged to the Gaekwads of Baroda. The legends surrounding the stone say it will either bring ruin or improve their worldly position; but, as it may once have been worn by Marie Antoinette, potential purchasers at next week's auction would be wise to treat it with a pinch of salt.

The Moon of Baroda has a light yellow hue which means that

It is described as 52.16 carat, Emerald-Cut diamond and it measures 2.34 x 2.01 cms; but that is only part of the story, for this is a diamond which is informed of the following details from the Grading Report of the Gemological Institute of America. Its depth is 55.4 per cent; its table, 61 per cent; its girdle is thin to slightly thick; its culet is very thin; its crown angle is 34 degrees; its pavilion angle is 40 degrees; its symmetry is very good. As regards parity, it is internally flawless. Its colour grade is "D" and it has no fluorescence.

So what does all that mean? In the first place, as carats go 52.16 is fairly large, but it is not exceptional. Nevertheless, the "D" and diamond that is "internally flawless" is worthy of attention.

The "table" is the stone's uppermost and largest facet.

as a stone it is not the most valuable on this account it is valued at \$100,000. It is that a mere \$100,000,000. It is valued on account of the fact that it was worn by Marilyn Monroe, and is a celebrated publicity photograph for *Gentlemen Prefer Blondes*.

After diamonds, the most sumptuous jewelry of offenders next week is 'the stones'. There are three stones, one white, and two other black. These are at \$600,000, \$200,000 and \$100,000 respectively. The auctioneers claim that the most expensive necklace is "the largest and best of its kind ever to be offered in public sale. By this necklace the great pearl-encrusted necklace, the pearls of which are of the finest and most important of all, that the pearls are phenomenally large, some are almost

When expressed as percentage it means its size as a percentage of the size of the entire stone. The griddle is the outer edge or periphery of the stone which is polished parallel to the table. "Polish" ranges from poor through fair, good, very good, and excellent and it depends on who cut the stone. A flawless diamond is one that has no inclusions or external blemishes, but occasionally has blemishes on the exterior. Apart from those which are supposed to be coloured, diamonds should be colourless; if they are not, the amount of yellow in them is rated on a scale of D (colourless) to Z (light yellow to "faint").

The names for the various round cut are Emerald (rectangle), Marquise (pointed oval), Pear (tear-drop), Round, Oval, Baguette (elongated rectangle).

20ms in diameter. These pearls are modern; that is, they are straight from the oyster and an Australian oyster at that. This accounts for the fact that they are not pearls, but have been sold as such. Sotheby's for the past two years. In 1986 the strand was comprised of 25 pearls; in 1986, 35; this year there are 45.

Both auction houses have large selections of jewelry by Van Cleef & Arpels, Cartier, Cartier Cartier, David Webb and Harry Winston. And Christie's have three spectacular art deco Cartier clocks. Cartier only ever made about 90 of these and they are quite simply amazing. And none more so than "The Water Clock" of about 1925. This is designed as a clock, but the minute hand is a jade bowl against the side of which crouches a jade chimera; its eyes are made of emeralds. Looking down on the bowl it

In the face of precious stones the next best item on offer at Sotheby's is an emerald and diamond brooch. This consists of two emeralds (18.95 and 19.93 kts respectively) framed by diamonds. The two parts of the pendant connect so that the brooch can be worn as either a brooch or a necklace as both a brooch and a ring. It is estimated at \$1m. For about half that price one might buy in the same sale an exquisite necklace made up of a total of 314 diamonds - and set by Harry Winston.

Christies auction features a number of coloured diamonds. As these are very rare they are collectors' items although

surface is the face of the clock, and around its rim are set the hours of the day in mother-of-pearl, enamel, coral, and gold. The bowl is filled with water and in it floats a small tortoise-shell turtle by means of a magnetic mechanism he "twines" to the correct time. The estimate for this ingenious device is about 1,000,000-500,000 dollars, says the *Washington Post*. The other Chinese clocks are on offer as "mystery clocks" that is they have rock crystal dials over which the hands appear to float. The less elaborate of these is estimated at \$250,000-300,000 but the other, in the form of a jade elephant with a howdah on his back is expected to fetch much more.

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Radio

Right drive for van lady

I WAS taught by a civilised schoolmaster not to use the word "unfair," since very little in life would ever turn out to be fair; but I must use it for the fate that sent Mary Shepard into Alan Bennett's life. He is a man

world famine, Dan Dare goes to Venus on a trip where memory seems to have done for research ("thank heaven you remembered that!") His colleagues are a titled scientist, a comic Cockney and a lady professor.

Macbeth had overrun England. Only one character is even capable of honour, Count Klaus von Orestes, Hitler's emissary to Rome, who demands that Vittorio (Pyrrhus) shall marry a German Princess, Ira (Hermione), and

gifted by nature with the ability to write amusingly about amusing things, which we generally assume to be his own invention. So what could be so amusing to him about an eccentric 60-year-old lady should push her van into his drive, unasked, and stay there for 15 years?

Alan Bennett has made four 15-minute talks about this lady, *The Lady in the Van*, (Radio 4 at 9.45 am on Thursdays), the last of her activities, an enchanting though it was quite insignificant. She pushed the van into the drive of Mr Bennett's N.W.1 house, No.62, when she had been officially warned that it was "a danger to public order" if parked outside No.63. No question of permission; there was the space, she took it. And there she was for 15 years, with one van or another, for a time in a lean-to shed. How true it is that

They are captured by lizard-faced creatures with (for radio) female human voices, and adventures crowd thick and fast. At the end of the first act, the hero is captured and killed by four simultaneous tornadoes. I bet they'll survive.

Radio's *Friday Play*, 1953, began life for the stage, a verse adaptation by Craig Raine of Racine's *Andromaque*. It was not approved by its director, and you can see why. Though broadly speaking, it follows the plot of the play, the familiar characters, they are no longer Racine's characters, still less Homer's, and there is a Dan Dare improbability about the background. The Greeks and the Trojans are now Britain and the Axis, The Axis has won (the Americans having perhaps concluded a separate peace). Churchill is drunk himself to death with Brendan Bracken, the English

Ira and Orestes were once in love, but Vittorino is now to have her. However, he falls for Annette (Andromache, King Hector's widow), and she goes along with him to keep her son Angus from being sent to Germany. The betrothal is announced on Radio, and (which still plays "Lilli Marleen," only in Italian). Orestes decides to kidnap her, but Ira, publicly turned down by Vittorino, wants revenge, and Orestes reluctantly knifes him in the vestry after the wedding to Annette. Basically it follows Racine, but for me the atmosphere is fatally wrong.

I am no addict of Craig Raine's verse; the dialogue is poetically conversational (Ira's eyes like burnt-out factories wings), and there are rhymes, like "my enemy with 'mercenary'." But I

There is another four-part serial on Radio 4 on Thursdays, at 11 pm, an adaptation of *Dan Dare*, the science strip in *The Eagle* magazine, that we reckoned must be specially interesting because it was edited by a clergyman. It emphasised fiction at the expense of science. To avert a

It would need a stronger plot than Racine's, which plates a story of ill-placed loves with honour and glory, to overcome a situation so unlike what we have in. It is as if victorious

was a bold but unpoetic von Orestes, Jonathan Hyde a tougher Mussolini than his father. The two women were well contrasted - Sarah Badel a gentle Annette, Jane Bertish a firmly determined Ira. Tim Suter directed.

The Official London Theatre Guide

[illegible]

MOTERING/GARDENING

Adieu, then, to the 2CV

Stuart Marshall looks back on a bizarre piece of motor history



Three of a kind: Citroën 2CV Dollys, which are still available and could become a collectable classic car in the 21st century

THE FLAGS will be at half-mast in trendy, environmentalist Islington, north London, when the truth leaks out: the Citroën 2CV, that bizarre hangover from the early post-Second World War era, has been knocked on the head at last. Or, at least, it will be put down peacefully this summer. The blow will fall at the plant in Mangualde, Portugal, to which assembly of the 2CV was moved three years ago after sales had slumped in France.

Those who have kept the 2CV going of late have been the trendies and greenies. They felt it provided them with mobility but didn't look too much like a proper motor car (which these sorts disapprove of). You see a lot of 2CVs with Ban the Bomb and Save the Whale stickers in the window.

It all began quite differently. . . . The 2CV, or deux chevaux - its fiscal horsepower rating in France - was created in a successful bid to get the French peasant out of a one-horsepower cart and into a two-horsepower car. It was conceived before the Second World War. Pierre-Jules Boulanger, Citroën's formidable managing director, com-

manded that his "peasant's car" had to carry a basket of eggs across a field without cracking one of them; and let him get in and out without his *chapeau melon*, or bowler hat, hitting the door frame.

It looked like a corrugated iron chicken house, but the comfort of its ride over appalling roads has never been bettered. In first, the gears groaned like an iron-wheeled Fordson tractor. On hills, it ground its way up as slowly as an overladen lorry. Downhill with a following wind, it would wind itself up to a rousing 70 mph (113 km/h). On corners, it leaned so much that you felt it must fall over. Somehow, it never did.

It was ungainly and economical, long-suffering and infinitely practical, with four doors and a fabric roof that rolled up like a window blind. Nothing was impossible in a 2CV. They went everywhere a set of wheels could go.

Over the years, it began to look a bit more like a car than an agricultural appliance. The body became unwrinkled by corrugations. The original steel tube and deckchair canvas seats were replaced by more conven-

tional (some said less comfortable) plastic upholstered ones. Increasing the size of the two-cylinder, air-cooled engine from 375 to 602cc helped it to keep up with the traffic. You need, however, have no fear of being pinched for speeding in a 2CV on a motorway: the top speed on the level is about 68 mph (109 km/h).

Annual production has dropped from a peak of 168,000 to a mere 19,000 last year. Apart from France and Portugal, Germany and Britain are the only markets where it still has a following. British sales peaked at 7,520 in 1986 but fell steadily to 3,200 last year. So far this year, only 541 - about half last year's total - have been sold in the UK.

If you want to get hold of what may become a collectable classic car, you can still buy a 2CV Dolly for £3,963. Who knows, it might even turn out in the 21st century to have been a good investment. But don't shed too many tears for the *deux chevaux*. It was a technological masterpiece in its day but is now more like industrial archaeology.

Before anyone accuses me of heartlessness - and the pens are, I feel, poised right now - may I say I have driven 2CVs for thousands of miles over the past 40 years, mostly with enjoyment. The first one was so basic that it used the same cable to drive both speedometer and screen-wiper. In wet weather, the speedometer needle swung wildly from 0 to 50 mph in time with the wiper blade.

To what should a 2CV enthusiast turn for a replacement when production has ended and stocks have run out? If sheer capacity is needed, then a Citroën light van might do. As a cheap carrier for people and loads, a Fiat Panda at £4,474 upwards (or its Spanish clone, a Seat Marbella, from £3,996) have a lot going for them. They don't ride like a 2CV, of course. Nothing does. And, for economy, the VW Umwelt diesel or Citroën's even more frugal 55.884 AX diesel do at least 20 per cent more miles per gallon, or kilometres per litre, burning far cheaper fuel than the 2CV.

Yes, they cost more to buy than this survivor from the days of food shortages and rationing. But doesn't everything nowadays?

VW's latest: green and simply squeaky clean

WHERE BETTER to drive in the world's least polluting car than a "green" hotel in North Wales? The Volkswagen Golf Umwelt (it means environmental in German) diesel has such low emissions that it more than meets any legislation in force world-wide. Volkswagen claims it is the cleanest engine available in any petrol or diesel-powered car in regular production.

The Pale Hall country house hotel at Llandderfel, near Bala, generates much of its electricity by water power and serves organically produced food and wines. Once the home of a Victorian steel and railway tycoon, it owes its survival to the free electricity generated by a water turbine installed in 1920. When it stood empty for 20 years in the '50s and '60s, electric fires burned continuously in most of its rooms, keeping damp and dry rot at bay.

Now, current from the old hydro-electric generator provides all the hotel's hot water and lights some vast chandeliers. It saves the proprietors, Tim and Jane Owens, around £15,000 a year and plays a part in reducing carbon dioxide emissions from power stations.

Pale Hall (call 071-83285 for details) is like a typical French chateau hotel dropped into the beautiful countryside of north Wales.

The scenery is like the Lake District, only without so many lakes, and last month the roads

were empty. Avoid the M6 around Birmingham, though, if you drive up from the south: on a Friday afternoon, the M25 seems under-used by comparison.

Volkswagen's Golf Umwelt is as clean as it is because it burns its fuel so efficiently. The 1.6-litre engine is turbo-charged, not so much to boost power as to cram extra air into the cylinders to ensure complete combustion. The surfeit of air makes the exhaust gases relatively cool, so the turbo-charger doesn't have to be made of expensive alloys. Already, the Umwelt diesel's exhaust is cleaner than that of a petrol car with the most sophisticated kind of catalyser. But the Umwelt also has a catalyser; a simple one that should last as long as the car. It takes any diesel smell out of the exhaust and reduces the amount of specific hydro-carbon compounds that little smoke the engine emits. Some environmental lobbyists think the catalysers may be carcinogenic, although VW (and other diesel car-makers) say there is no evidence that they are.

What is beyond dispute is that VW's latest green diesel uses very little fuel and, thus, puts that much less carbon dioxide (the global warming gas) into the atmosphere. I got a shade over 55mpg (5.6 l/100 km), driving it exactly as I would have done a petrol-engined car.

Acceleration through the gears is adequate rather than sparkling, but the top speed of 94 mph (151 km/h) is more than enough and it cruises quietly at up to 60 mph. The engine pulls well in fifth gear. Slip it into fourth for quick overtaking at up to 70 mph.

The 60-horsepower Golf Umwelt has replaced the naturally aspirated, 54-horsepower Golf LD as VW's entry-model diesel at the same price - £9,740. It is comfortable without being luxurious; you have to wind your own windows up and down and it lacks power steering and central locking. You can have power steering on the standard Golf 1.6CL turbo-diesel (total price £11,244) which is more powerful, with 80 horsepower to the Umwelt's 60, and livelier. It is, of course, environmentally clean like all modern diesel cars although not quite so squeaky clean as the Umwelt.

Which is more important - more go, or less global warming? Only the buyer can decide.

S. M.

EVERYBODY likes plants which break the rules. They turn up in quiz games, in letters or in the small talk of non-gardeners who want to turn the beastly subject upside down. They also turn up in expert gardens (Vita Sackville West grew excellent gazanias in damp shade) and in the constant tussle to decide what a new plant likes best. In Britain, will it like the conditions which suit it in the wild? If it grows in acid soil in nature, will it grow in acid soil here? Above all, is it hardy?

At the moment, I do not see how we can answer that question categorically. The weather is still crazy. I have lost a three-year-old *Deutzia* (supposedly completely hardy), all the young shoots on the shrub roses and like everybody, the top three feet of growth on perfectly ordinary *Hydrangeas*. These plants are breaking the rules because this perverse spring is breaking them on their behalf. But I also have some surprises which are breaking the rules which we have invented for them: discoveries set us all free and I would like to pass them on.

Our biggest success by far is the white-flowered *Narcissus* *Thalia* which ended up three years ago in an apparently hopeless bed at the foot of

Narcissus in love with the shade

Robin Lane Fox picks plants which break the rules



Oxford's old city wall. This wall runs through my College's gardens; one side of it faces away from the sun and as it is an extremely tall rampart, the narrow strip of ground at the foot of it is extremely dry. We have to keep it tidy for the ceremonial occasions when the City Mayor wastes our time and every one else's poll tax by processing ceremoniously along the structure, checking that this defensive wall can still be defended. The taxpayers of Oxford must be glad to know the wall is safe and sound, defending them solidly in our sea of learning, academic motor-cars and reasonably peaceful student life.

If the taxpayers have any stamens left after the City council's hideous spring bedding schemes, they might also be glad to know that their wall is wonderfully daffodilled. *Narcissus* *Thalia* is a short variety with white trumpets of flower. I had been brought up to think that it is not very hardy, likes sun and moisture and needs good living. It belongs in Division Five of the botanical family where it is a relation of the

small-flowered wild *Narcissus* called *Angels Tears*. It is a marvellous plant in Cornwall, but I would never have thought of it for dry shade facing north.

In Oxford, it ended up there because I made a mistake. We bought a hundred *Thalia* to mix with that admirable small *Narcissus* *Februnary Gold*. Be warned by my mistake: *Thalia* flowers much later and looks miserable when mixed with the dead flowers of its earlier companion. So we moved it out and there was no where else for it but the base of the wall. It has almost run mad; we now have

hundreds of yards of it and they are packed with flower, improving every year. Dank, dry shade seems to suit it, away from overhanging trees. It appears to be much tougher than its catalogue imagined.

In full sun, I now have a rule-breaking companion for it. I had always believed that the spring-flowering forms of *Alpine clematis* are happier in semi-shade and certainly not in full sun on a dry soil, taking the heat head on. I know where this belief comes from: it derives from days in the Dolomites where you can see these *Alpine clematis* tangling their way through *Alpestris* and low shrubs at the junction of meadow and sloping woodland. Plainly, this belief is wrong. I now have an immensely happy *Alpine clematis*, *Frances Rivis*, facing due south across a dry wall which is beaten by sun. Last year, it dried out persistently; this spring it is a small torrent of flowers from the top of the wall to the ground. Unless it is an extreme case, I have no use for these emerging favourites: forms of *clematis* *alpina*

will grow at the top of a wall where the flower bed meets the coping stones and will then fall down a height of four or five feet, covering themselves in flowers which are a merciful change from yet more yellow *alysium*. *Frances Rivis* is a particularly good form with deep blue flowers and is now spreading suitably through national garden centres. I strongly recommend it together with its pink and white relations. It appears to tolerate heat.

Heat is exactly the wrong condition for a bulb which many of us will be planting in the next fortnight imagining that it likes to be dry. There is a growing market for the pink and white flowers of the *Clematis* which appear on stems about two feet high in August. The funnel-shaped flowers look like an amaryllis and at first sight, seem ideal for a dry sunny bed which is flooded by a hot summer. In nature, these *clematis* grow down to the edge of South African lakes and marshes and most gardeners in Britain have been inventing the wrong rule and imposing it on an adaptable plant. I have

BEFORE gardeners decide to do their bit for the British environment by ceasing to use peat it would be wise to consider whether the sacrifice is really worth while. If a great many people decide to do the same thing the end result might be a slight deterioration in the British balance of payments, a considerable decline in the quality, and increase in the cost, of our container grown plants and no worthwhile benefit to any scarce or endangered ecosystem.

Peat is very common. It covers about 3 per cent of the world's land surface. There are about 4m acres of peat land in

the UK and a further 2.5m acres in the Irish Republic. Of course nothing like all this is suitable for growing garden plants. Since Lawrence and Newell did their revolutionary research work on seed and potting composts at the John Innes Horticultural Institution in the 1930s the interest has centred on sphagnum moss peat, which they chose in preference to traditional leaf mould because of its longer life and easier standardisation. They were still thinking in terms of soil-based compost

with peat added to improve the texture but soon research workers in the University of California were demonstrating that peat could replace loam completely with even greater possibilities for uniformity and much greater facility for mechanisation of seed sowing, pricking out and potting. This discovery ushered in the age of cheap and reliable plant propagation and certainly contributed to the great expansion of popular interest in gardening.

The charge now being made against the horticultural peat producers is that the areas of good sphagnum bog are scarce and will be virtually exhausted in Britain in 10 years. Not so, reply members of the Peat Producers Association. We have sufficient to last until the latter half of the 21st century. There are also vast reserves in Canada, Scandinavia, Russia and many other places.

The producers claim that they can continue to supply British peat for many years

without damaging scarce ecosystems and that for a very long time they have been discussing these matters with responsible bodies such as the Nature Conservancy Council and the County Trusts for Nature Conservation. Bogs of special ecological interest have been sold to such organisations for use as nature reserves or arrangements have been made for the peat companies to manage such bogs for conservation bodies.

Peat is in a constant state of renewal. It is not like a mineral in a mine which when it has all been removed has gone and will be virtually exhausted in the peat is exhausted it will go on growing as it has done for thousands of years. It is in fact a crop, though a very slow one, the cycle of which must be calculated in hundreds, maybe thousands, of years.

There has been a great increase of use of moss peat since the arrival of John Innes compost followed so quickly by the soil-less peat-based

composts and we may, at some point, have to import much more heavily. Perhaps the Baltic states, which are said to have considerable areas of sphagnum moss bog, could find aid for their economic problems in this way. Yet it would be quite to abandon our own very successful rural industry in favour of others until it is really necessary to do so, and that time does not seem to have arrived yet.

The search has been on for some years for alternatives to sphagnum moss peat but none has been found that compares with it for seed and potting compost, whether on its own or in combination with loam, itself an expendable and ecologically valuable material.

Bark in various forms, chipped, shredded, powdered or milled, is proving excellent as a surface mulch to smother weeds and check loss of soil moisture by evaporation. No way has yet been found to give it the structural properties required as a growing medium

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♠ K 8 3

♠ Q 9 4 3

S

♠ A 6 2

♠ A J 8

♠ Q 9 4 2

♠ A J 8

South dealt at love-all and opened the bidding with one no-trump. North's raise to three no-trumps concluded the auction.

West led the seven of spades and the declarer considered the position. He had seven top tricks and the diamonds could supply two more. Winning the spade with dummy's king, South returned the six of diamonds. All depended on East's

action. East, a fine player, rose with his king to preserve partner's entry (should he hold the ace) and played back a spade. West won, cleared his suit and waited to defeat the contract when he made his ace of diamonds.

The declarer should not have taken the first trick - it is the classic Hold-up with Two Stoppers. If West started with five spades, and has both of the diamond honours, the contract cannot be made; but if he has only one, the hold-up ensures success. Why? Because after two rounds of spades, East's entry is deprived of its lead value. He cannot attack declarer's second spade stopper.

In an average game, South's bad mis-play is cancelled by East's failure to rise with his diamond king. Neither blunder is noticed by any of the players; in consequence, no-one

queen was finessed, but East won with the king and returned the knave. This defeated the contract.

In the other room, in the same contract and against the same lead, South played dummy's seven of spades. A second spade was won by the ace and a heart return was taken by the ace.

Drawn the last trump, South's 3-4-4-4 hand led the three of clubs and finessed the eight in dummy. East had to win with his 10 and was endplayed, forced to lead back a club into dummy's ten-ace or concede the ruff discard.

Very clever, you say, but suppose West, alive to possible danger, switches at the second trick to a club. No problem. South wins with dummy's ace, draws the trumps, eliminates diamonds and throws East in with a spade. East must set up the queen of clubs or give the ruff discard.

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Holidays & Travel Advertising

also appears on Page VII

مكتبة لاط

FOOD & WINE

Wine

Sweet bouquet of success

Jancis Robinson meets two young men with a £7m smile

MARGARET Thatcher might consider using Stephen Browett in any future advertising campaign to persuade young people to learn a foreign language.

At 30, he and his 32-year-old partner Lindsay Hamilton have developed Farr Vineyards into a company selling some £7m a year of the finest and rarest wines, not much less than Christie's. The leap into the big time by this unconventional pair owes much to Browett's year as a student in Nimes. This left him better-equipped to grapple with the complexities of buying - mainly at auction in Paris, Belgium and Geneva - than counterparts who were less capable linguistically (and, possibly, less ambitious). As he says: "There are people in the UK selling very important wines who don't speak French. You couldn't possibly go to an auction in France unless you spoke French. I picked up some very useful things because the French aren't as vintage-conscious as we are."

Browett joined Farr in September 1984. He had worked previously as a van driver for a somewhat pin-striped Chelsea wine merchant but, during his first six months with the new company, spent every weekend snooping around northern Europe, buying goodies and making valuable contacts with customers and suppliers. The Farr style is the opposite of pin-striped: Hamilton is distinctly cocky, although he says: "I was supposed to be the black sheep but I've really mellowed." He is the one who is good with pop star customers.

But it was Browett whom one wine auctioneer remembers patrolling the aisles at a sale in Geneva giving out business cards.

Browett's injection of fine wine from the Continent could not have come at a better time for Farr Vineyards. The dollar and sterling were strong against the French franc, the 1982 red Bordeaux vintage was being hyped to the skies in the US and, as Browett puts it: "Even if you didn't buy very well, you could sell very well then." Thanks to this boom, Hamilton's sales patter and Browett's buying diligence, Farr's turnover quadrupled to £3m in 1985 (although other fine wine traders and brokers also did well).

The more conventional in the wine trade have long been wary of brokers. It was assumed that, like circles of fine art traders in many other fields, the same goods were listed by several different brokers who traded between themselves at cost to the eventual buyer.

However, Browett and Hamilton claim they are traders, not brokers. They showed me their latest list, marked "Confidential" - including a right-hand column which customers never see showing who owns what they are offering for sale.

Unless they had carefully doctored and then distressed the wine, it would appear that they own a good 90 per cent of their £350,000 worth of fine wine stock. Indeed, the wine departments at Sotheby's and Christie's both have named Farr Vineyards as their most important customer (although the department head of Christie's wine depart-

ment spoke to these besmeared youths for the first time only three years ago).

Now that the boys have made good, they have just moved to premises in Pimlico more in keeping with their station than the couple of converted bedrooms in Hamilton's house. This might have saved them into an overdraft for the first time in five years, but the proper shopfront should now seem presentable to visiting foreign collectors - although, presumably, the proprietors would be horrified by anyone wandering in looking for a bottle of Liebfraumilch. Browett and his wife will live above the office, so he is the one who will get to check the fax machine for orders during dinner two or three times a night.

The company was formed in 1978 by Jim Farr, who had worked for a brewery-owned wine shipper for five years and decided to punt £5,000 borrowed from his mother on a small venture of his own. It specialised in burgundy, because every one seemed to be long on Bordeaux. Hamilton was recruited as a 21-year-old from Harrods' wine department where he had spent two years, having asked for a transfer from China. Farr was bought out last July, leaving Hamilton to specialise in burgundy and selling and Browett to consolidate his reputation as the scourge of the auction houses. He claims to have attended every important London sale for the past six years (although he missed the last one I inquired about), and both auction houses agree that he can be their most demanding customer in terms of condition of bot-

tles, fill levels (ullage) and general agreement with catalogue descriptions. In their old office, Farr had a fireplace filled with bottles waiting to be returned to Christie's or Sotheby's with some complaint. The company now keeps its stock at Trappes Cellars by London Bridge, as do Christie's and Sotheby's, to minimise movement of the fragile commodity.

According to John Heather, of Trappes, itself a treasure trove of fine wine belonging to hundreds of different collectors: "Stephen is a very bright lad indeed. He knows his wines, he knows his customers and he's a tremendous ferretter. We have to stop him ferreting about too much in here; his eyes are everywhere."

Farr's list is deep but narrow, with grands formats - giant bottles



Lindsay Hamilton and Stephen Browett... they own 90 per cent of their £350,000 worth of fine wine stock

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Farr's list is deep but narrow, with grands formats - giant bottles

suitable for giant feasts - a speciality. You can't buy fewer than 12 bottles from the company's list and the bill could be £5,200 for six magnums of Chateau Petrus 1983. Gaudin Gigondas 1985, at £55 a case in bond, is about as low, and about as exotic, as they go.

The partners say they have tried properties and vineyards they knew were delicious, under-rated and under-priced. But such wines are for the likes of us, rather than the company chairman worth £350 an hour cited by Browett as a typical customer who "just knows he wants Petrus. Originally, we'd be more idealistic and buy wines we really liked; but then we realised that to be successful, you have to have what people are looking for. And, in some cases, that can be one single property. We have some customers

who'll buy, for instance, nothing but Cheval Blanc."

The bulk of their sales are, however, to fellow traders, most notably mature Bordeaux sold back to merchants in Bordeaux. "The worst way to run a wine company is to go to Bordeaux to buy Bordeaux," they maintain (pointing out: with some pride that, since they tipped '86 clarets, eschewing '85s, the price of the former has streaked away).

Many of their personal favourites come from the Rhone. Browett served the relatively rustic Chateau-neuf-du-Pape, Chateau de Beaucastel 1981, at his wedding. They never drink during the working day now (too many international phone calls), and although they reckon to have tasted just about all the "greats" between them, they say there is no point in

opening a really good bottle of wine for fewer than six people.

"You can get laded," says Hamilton. "We had a dinner not long ago when everyone brought one of the greatest wines of the world - Monteton '45, a Chevalier-Montrachet '71, that sort of thing. It shocked us afterwards that we couldn't remember every one. You really need to build up to great wine."

Great wines are becoming scarce, especially from classic vineyards such as 1961 and 1945, but that might do Farr no harm. "A lot of people in the British wine trade may know more about wine than us, but they're not necessarily very good at being wine merchants," Hamilton adds.

Having seen Browett put in the hard physical work required by the organisation of a complex wine tasting, I think he must have been as assiduous a van driver as he is a wine trader. It must be strange to have people reading for an allocation of a particularly rare bottling while, only six years before, were asking you to wipe your shoes before struggling over their threshold under the weight of a case or two for the cellar.

"I still remember people I delivered to. Even if they came on the phone wanting 20 cases of DRC [Domaine de la Romanée-Conti] burgundy, I never forget what they were like to me then," says Browett, with a tight-lipped smile. You know what he means.

Farr Vineyards, 19 Sussex Street, London SW1 1EL. 01-222-1950. Other fine wine traders include Whitmans, Old Market Place, Aittricham (061-923-9416); Turville Valley Wines, The Firs, Potter Row, Great Missenden (0494-8818); Kurtz & Chapp, 47-51 Great Suffolk Street, London SE1 (01-222-9955); Richard Kihl, 164 Regent's Park Road, London NW1 (01-586-5911); Fawcett, 164 Regent's Park Road, London NW1 (01-586-5911); and T & W, 51 King Street, Theford, Norfolk (0643-76546).

Beware of seduction in the dark

Michael Field gives a rough guide to buying wine in 33-litre jugs



ROGER BEALE

like the modern pure Julienas you buy from merchants in this country - it is more robust and earthy. Almost certainly the wine contains a good lacing of Rhône, or something from even further south, and most of the Burgundy shipped to Britain in the 1960s used to do. It would be known in the trade as "methode ancienne."

I like it and I think of it as solid peasant wine. If you want to buy wine of at least this quality, and avoid the pink, tasteless liquids that many *vente directe* operators sell, you should not go for the glamorous names. In every village on the Cote d'Or in Burgundy, between Gevrey Cham-

bertin and Chassagne Montrachet, you can see *vente directe* signs by the roadside - but I have never tasted a good wine that anyone has bought from a grower in this area. It is much better to look in Chablis to the north, Beaujolais, the Rhône or the Loire. Caves Co-operatives, if they sell direct, may be slightly more expensive than individual growers but they are safer. Normally I think I have done better when I have bought in bulk using the semi-inflatable 33-litre *cubaineur* which growers sell, rather than in bottle. It is not just that bulk wine is cheaper. The wines that are available in bulk are

the less famous names - say, Petit Chablis or Chablis rather than the *Grands or Premiers Crus* - and it seems that growers selling in this way have less expectation of making a killing at the expense of the ignorant punter.

Buyers ought to be able to speak reasonable French, or the growers will "stitch them up" even more easily than they will probably do anyway, and they ought to have practised analysing the taste of wine.

The tastes in a young wine in a cellar have not come together in the way they should have done in a mature wine. When tasting a young wine, therefore, you look first at the colour - it is a fact that deep, attractive colours go with good wines. Depth of colour indicates concentration of taste.

Then, as you smell and taste the wine, you look for a good fruity body and a good level of alcohol, from ripe grapes having plenty of sugar. In Bordeaux or red Loire wine you should taste some tannin, a mouth-drying substance, also found in tea, which balances the fruit and lets the wine mature. In Beaujolais and white wines the balancing factor is acidity.

At the end, after you have mentally ticked or crossed these qualities, you have to ask yourself whether the overall taste is pleasant. Wine in a cellar may taste different from wine in a dining room, but, except in the case of a very tannic young Bordeaux, something that tastes unattractive when it is in a vat is not going to taste totally different two years later.

When the wine is brought back to England there is a duty free allowance of seven litres, but above that you pay a flat rate duty of about £1 a bottle plus VAT on the purchase price. Assuming that you have paid around £7 for a litre, which is a likely price for Chablis or a Beaujolais cru bought in bulk, you will get the wine home for between £4 and £5, which represents a saving of £2 or £3 on the (probably better) wines of the same *appellation* at a good wine merchant.

If the wine has been bought in bulk you must spend £10 or so on a hand-operated corking machine. Wash your bottles thoroughly, use a solution of sodium metabisulphite or a similar sulphur compound.

You must save or buy bottles of the correct shape, or the wine will not taste right. If you serve burgundy in a Bordeaux-shaped bottle your taste buds will be confused and you will risk turning yourself into an oenological neurotic.

Cookery
Hang the diet - let the gooey times roll

FIRST there was No Smoking Day, now I am beginning to wonder whether Lent hasn't been designated Forty Days Without Chocolate. At any rate I met a lot of people last weekend - chocoholics to a man - who clearly had been suffering from cocoa fat withdrawal symptoms and who had been counting the days to Easter Sunday, when they celebrated the end of their fast with a bonanza of luscious sweetmeats and puddings. To them, and to those who secretly nurse a sweet tooth, I dedicate these recipes: an unashamed splurge of puddings blissfully devoid of any hint of restraint or healthy eating.

The first chocolate indulgence comes from *Entertaining With Katie Stewart* (just published by Pavilion Books at £15.95). My standards as hostess fall far short of hers but Katie Stewart offers much sensible advice and she is well-known for the reliability of her recipes.

I like the teasing quality of this one, in which a double dose of chocolate is not evident until you tuck in, because it is made half-and-half with plain and white chocolate.

I make no claim of originality for my Kaffecreme but I do rate it: the ultimate coffee mousse: softly set, velvety smooth and wickedly rich. This is the sort of pudding that might have been dreamed up in days gone by, when Lenten penance included abstinence from eggs, and cooks were eager to find ways to make serious inroads into the gargantuan nest egg accumulated by laying hens between Ash Wednesday and Easter Sunday.

If you crave a lighter taste of spring, I suggest celebrating with the vibrant tang of lemon. Maybe a soothing Lemon Honeycomb Mould with its nursery connotations, or a quiche-like Fresh Lemon Tart, ever popular in foodie circles. Or for a speedy and sophisticated solution, what could be more appropriate for breaking a fast than a sharply-foaming Lemon Souffle Omelette?

Katie Stewart's white chocolate mousse in dark chocolate cases. (series 6)



4 oz plain chocolate for the shells, or 6 dark chocolate shells bought ready-made; 4 oz white chocolate; 1 pt soured cream; 1 tsp rum; 1 pt double cream.

To make the shells yourself (it takes much more than the bought ones), break the plain chocolate into a bowl and set over a saucepan of hot (not boiling) water until melted.

Line six individual ramekin dishes closely with squares of foil - press the foil into the contours of the dishes. Put a good spoonful of the melted chocolate in the bottom of each one. Spread over the bottom and around the sides up to the rim.

Turn upside down onto a wax paper-lined tray and chill until set hard. Then remove from the ramekins and peel the foil away. Keep home-made (or bought ready-made) chocolate shells chilled while preparing the mousse filling.

Break the white chocolate into a bowl and set over a saucepan of hot (not boiling) water until melted. Remove the bowl from the heat. Stir in the soured cream and then the rum.

In a separate bowl, whip the cream to soft peaks. Add to the chocolate mixture and fold in gently. Spoon the mousse into the chilled chocolate cases. Cover and refrigerate for up to six hours so the texture firms up. Dust with cocoa powder before serving.

Kaffecreme (series 3-10)
3 large eggs plus 3 extra yolks; 1/2 teaspoon cornflour; 1 lb caster sugar; 3 pt milk; 2 heaped tablespoons instant coffee granules; 1 tablespoon

gelatine powder; 1/2 pt double cream. Put all six egg yolks and the cornflour into the top part of a double-boiler. Whisk, gradually adding the sugar, until the mixture is pale and creamy and falls in thick ribbons.

Scald the milk and dissolve the coffee in it. Then pour the milky coffee onto the egg yolks in a thin stream, whisking the eggs all the time as you pour. Place the pan over barely simmering water and cook gently, stirring more or less continually, until the custard thickens to a cream. This may take 10 or even 15 minutes.

Turn the rich coffee custard into a large bowl to encourage it to cool quickly. Soak, then dissolve the gelatine in 2 tablespoons of water. Cool it a little, stir it gently but thoroughly into the warm custard, then stir in the cream. Refrigerate the mixture for about one hour until beginning to set.

Whisk the three whites to shiny peaks and fold them delicately but thoroughly into the chilled custard cream. Tip the mixture into a pretty dish of about 2 1/2 pt capacity or spoon it into individual glasses. Cover and chill until set.

Decorate just before serving with chocolate coffee beans, or a grating of chocolate, or a sprinkling of medium-ground coffee if you like, but resist the temptation to serve pouring cream with Kaffecreme; it is rich enough in its own right.

Lemon soufflé omelette (series 4)
6 eggs; 3 lemons; unsalted butter; caster sugar.

Heat the grill and warm an omelette pan over medium-low heat. Beat the egg yolks with the juice and finely-grated zest of one lemon and a spoonful or two of sugar. Whisk the egg whites to stiff shiny peaks and fold them in.

Butter the pan and cook the omelette gently until the mixture bubbles and begins to rise. Then slide the pan under the grill to colour and set the top of the omelette while keeping the centre baveuse. Dust with sugar and serve straight away with wedges of lemon.

Philippa Davenport

Appetisers
Go south for value

SAUTERNES prices continue to rocket, fuelled by the quality of the 1986 and 1989 vintages. However, going deeper into south-west France can provide rewarding alternatives and exceptional value in Jurançon (not so much the dry as the more interesting Moelleux, or sweet, version) and Pacherenc du Vic Biès, the specialty of Armagnac, covers up and indigenous sweet alternative to Vin de Graves des Côtes de Gascogne.

Both wines have the same lemons high acidity and curious spike of confidently regional character that makes them lighter and more approachable than typical Sauternes. Because they need no ageing they make a refreshing and to a mild or even sparkling at around £4 to £5 a bottle from stockists such as Oddbins, Bibendum of London NW1 and Nicolas/Buckingham around London.

The Institute of Masters of Wine, once a solid and - some would say - somewhat smug club of those British wine merchants able to pass its notably stiff entrance exams, is undergoing considerable upheaval. It is in the process of launching an academic journal, is opening its exam to non-Britains, and has welcomed not only two antipodean MWs but even its first French member, Olivier Humbrecht of Alsace.

Next month 50 candidates from all over the world, including eight from the US, will attempt the week of practical and theoretical examinations in London. The average number of passes is only about three a year.

In July the Institute is organising a symposium open to all prepared to pay £295 plus VAT for three wine-packed days of tastings, lectures and workshops at St John's College, Cambridge, with some of the world's best-known wine producers. Further details are available from Institute of Masters of Wine Symposium, 3 Cotswold Mews, Battersea High Street, London SW11 01-222-9024.

John Armit Wines, 190 Kensington Park Road, London W11 (01-727-5846) imports several wines from Gault in California, mentioned on these pages recently. The fine wine specialist lists the "regular" 1985 Cabernet at £120 a dozen but does not import the top bottling.

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Tom Fort

FOR THE fisherman who has experienced the incomparable sport to be had in Irish waters, there could be no more cheering news than the coming of peace in the Republic's great fishing licence conflict.

In England, this row was portrayed generally as a characteristic turn in the knob about comedy of Irish affairs. Only the Irish, it was stated confidently, could contrive to shut down a major tourist attraction for two years while the Government and the anglers slugged it out over a licence costing a few pounds.

In fact, it was a deadly serious, bitter business, springing from deep and ancient tensions. And for those caught up in it - the hoteliers and boatmen dependent on fishing for their living, plus the bold and the foolhardy who attempted to defy the bans imposed on many lakes and rivers - it was occasionally very nasty. It is not my business to sug-

gest where right and wrong lay. Nor is my mind subtle enough to comprehend all aspects of the settlement. What matters is that the best, the cheapest, the most accessible game fishing in Europe is once again there for the taking.

I would not, however, like to give the impression that it is easy. I have spent two fishing holidays in the Irish Republic. And both were, generally speaking, failures. I blame (which angler does not?) the weather.

The Irish like to depict their country as a great, green, wet sponge. In places such as Knock, in County Mayo - so the myth goes - appearances of the sun are greeted with dis-

believing cries by the mildewed natives. The rivers are kept topped-up permanently by soft showers wafted in on south-westerly breezes.

On my first visit, the weather was awful - but entirely the wrong sort of awful. Gales blasted in from the Atlantic but the rain was left behind. We were blown off the lakes, although the rivers never rose to compensate. We caught next to nothing.

The second time, a different trick was played. An immovable anti-cyclone was deposited on the island. For nine days, the sun shone and not a drop of rain fell. This curse was made much worse by the way in which we



were congratulated on our good luck, as we roamed the land looking vainly for black clouds.

I do have wonderful memories of that trip, though. For one thing, I caught two salmon in a day on a Connemara river,

my first on fly (there have been no more since). The fishing for them was free; I paid nothing - except in Guinness - to the man who showed me how and where to do it. (No, I'm afraid the techniques of the Irishman would not force me to disclose the same.)

And then there was the River Suir, in Co. Tipperary. Three pounds a day it cost, and 15 glorious miles of it to fish. Never have I seen a river so rich in feeding, so alive with trout.

I spent three days there and did not land a fish. I considered myself a respectable dry fly fisherman, until the Suir taught me otherwise.

Trout fishing of comparable

quality is to be had all over the Republic. I have had thrilling evenings on the Little Deel, near Dublin; and absorbing days riding the waves on mighty Lough Corrib.

I have made a fool of myself with a big trout on Lough Carra, and a bigger fool of myself with an even bigger fish - this time a sea trout - on a minuscule loch in a bog near Maam Cross.

There is, I should say, one great cloud in all this, and that is the steep decline of the sea trout angling on many of the famous fisheries of the West. Great efforts are being made to establish reasons for this, and to identify remedies. But, for the moment, the glory of the

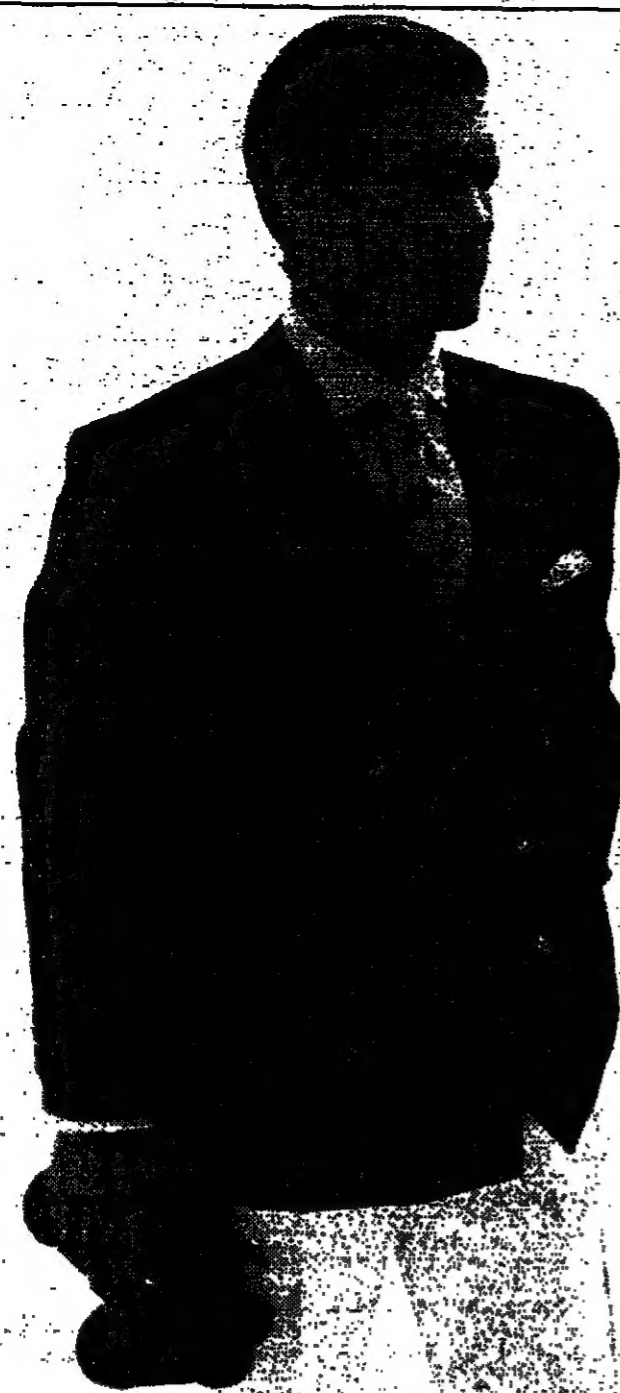
The Irish joke that turned nasty

Fishing

HOW TO SPEND IT

Lucia van der Post on the feuds and tangled fortunes of the Louis Vuitton luxury luggage concern

Not such an open and shut case



Aquascutum on a new wave of success

WHILE MANY of the once fashionable labels of the '80s seem now to be struggling, the tried and tested names that stood their ground and refused to be flustered are weathering the current depression in the high street. Aquascutum, never a name to conjure with in highly fashion-conscious circles, has always quietly gone on doing its own thing: producing traditional British wear of the best possible quality.

While designer names come and go, Aquascutum goes on and on. As the trendier names filled column inches and made the front covers of *Aquascutum* was busy pioneering new markets - to Tokyo and New York, Paris and Milan have been added Singapore, Taiwan and Korea, so that now its distinctive brand of British clothing can be bought in 45 countries. Its export record is so good that today it announced that it has won The Queen's Award for Export Achievement for the fifth time. Aquascutum's trademark could be said to be its Britishness. No fancy Italian cutting, no trendy deviations from what it does best. As chairman Gerald Abrahams puts it: "We can't beat the Far

East on price, we can't beat others on high-fashion, so our aim is to beat them on quality. Wherever people love clothes - Italy, Paris, Canada - we do well because everybody wants something of Aquascutum in their wardrobe."

Doing best of all in the foreign markets are the top of the market classics - the cashmere overcoat, the polo shirt and the double-breasted blazer, shown above. "A blazer," says Abrahams, "has a place in everybody's wardrobe. The leisure wear of the last generation becomes the formal wear of the next generation, so that these days blazers go all sorts of places that they didn't use to."

The blazer certainly seems to be enjoying a revival. It can be worn informally with open-neck shirt and jeans, or formally with grey flannels, shirt and tie. If the true cost of a garment is the number of times it is worn divided into the original cost, it must be one of the cheapest garments around. The blazer above is just one of the Aquascutum range. In wool it sells for £225; in pure cashmere, £295.

L.v.d.P

ITS High Noon down at the Bourse in Paris: Henry Racamier, 78-year-old head of the Louis Vuitton family interests, and Bernard Arnault, the young financier invited into the company by Racamier himself, are engaged in a fight to the finish over who will control the world's largest luxury goods empire, LVMH, Most-Hennessy Louis Vuitton.

At an age when most people think of hanging up their boots, Henry Racamier - husband of Odile Vuitton, granddaughter of Louis - finds himself with a leading part in one of the biggest, most controversial corporate battles ever to hit France. Next week will mark a significant move in the struggle when a Paris court has to decide whether a disputed 30 per cent holding of shares in LVMH, France's largest publicly-quoted company, can be retained by Arnault (thus allowing him to hold on to his controlling interest) or should be annulled.

To the outsider it seems an almost absurdly dramatic imbroglio of writs and counter-writs, of dawn raids and leaked letters, of share structures and holdings too convoluted for any but a student of such things to follow.

But what lies at the heart of the empire - and makes the stakes so high and the fight so poignant - are some of the most deliciously desirable brand-names in the world: Most & Chandon and Veuve Clicquot champagne, Christian Dior perfume, Givenchy, Hennessy cognac and Louis Vuitton luggage. And behind the squabbling lies an interesting philosophical debate: in an era when shareholders demand ever-higher profits, how does one manage luxury brands without destroying the value of the brand?

When Racamier was asked by the Vuitton family to take over Louis Vuitton in 1977, he found a small family business with a largely debased image. "Now," he says proudly, "not only is the company more profitable, the image is also restored and is strong again."

Racamier believes that managing Louis Vuitton is like walking a tightrope between selling more products to make profits and maintaining the image which is the company's main asset. "Every time you sell an article you dilute the image, so each time you must reconstruct it. You do this by retaining quality and by sophisticated communication and publicity." His current Dream of Travel campaign is designed to do just that.

"We have a philosophy of the long term," he says. "In 50 years we want the brand to be as strong, if not stronger." Racamier's great fear is that Arnault's staunch aim of making the luxury brands ever more available will increase profits in the short term but will do irreparable damage to the image in the long term. He also fears that Arnault's centralisa-

tion strategy, his belief in synergies, would damage the personality of the individual brands.

The Arnault side would say that Louis Vuitton has a serious strategic problem which must be addressed. Indeed, the statistics show that any Japanese who can afford the prices has something like two bags apiece, so the room for real growth seems limited. So far, though, the Racamier business record looks hugely impressive.

When Racamier took the helm at Louis Vuitton in 1977 he was 65 and had spent most of his working life building up his own successful steel business. At that time Louis Vuitton owned just two shops -



Above, three generations of Vuittons at the Asnières factory in 1888. Louis Vuitton is in the driver's seat with (standing) his son Georges and, on the folding camp bed, his grandson, Gaston. Left, a picnic set made for a royal customer, very similar to one made for the Maharajah of Baroda. Below, the ultimate traveller's watch. Made by Gae Aulenti for Vuitton II tells the time in cities worldwide, £8,500. Louis Vuitton is at 149 New Bond Street, London W1V 9PE

one in Paris and one in Nice; huge queues used to build up outside them at Christmas and holiday times - and turnover was £7m.

Racamier transformed the distribution by taking the products out of department stores and putting them into Louis Vuitton's own shops. Instead of just two shops, today there are 135 worldwide. Sales have increased at an average of 30 per cent for 10 years and by 40 per cent last year. Its current turnover is more than £400m worldwide and looks set to rise above £500m for 1989/90. It is, as one commentator put it, almost absurdly profitable, and accounts for more than half of the total profits of LVMH.

Apart from the huge financial success he has made of the business, Racamier has proved far from fuddy-duddy in his approach to developing new products compatible with building on what he calls "the value of the core brand."

Some three years ago he asked Françoise Jollant-Kneebone, who used to be the Centre Pompidou in Paris, to head the design team. Not a designer herself, she describes her job as "design management." A huge programme of new products has been



embarked upon. As Jollant-Kneebone puts it: "Our customers are very loyal and they come to our shop saying 'what's new?' We must make sure there is something new for them to buy, but it must be things in our field of know-how which is essentially based on travel."

Innovative designers like Gae Aulenti (the Italian architect/designer responsible for the Musée d'Orsay) have been called on. Aulenti designed a pen and pencil set and a watch that tells the time simultaneously in several different cities in the world. Philippe Starck, of Café Costé and Roy-

alton Hotel fame, is designing new handbags; André Putman has done some silk scarves; Ross Lovegrove and Julian Brown are working on a writing-set; a range of travel and shopping bags by Martine Bedin will be on sale later this year. All this, Racamier believes, is new and exciting but well within "the sense of long-term tradition of the company."

Racamier also cut out all the small articles covered in the logo - the comb cases, the dog leads. They brought in money but were spoiling the brand.

As the company has also to attract younger customers if it wants to grow, many of whom are averse to the concept of status-seeking logos, a plainer leather line, the Cuir Epé, was introduced three years ago and has proved immensely popular. It now accounts for some 13 per cent of turnover. A range of plain soft luggage is also in the pipeline.

All the same, anybody who buys a piece of Louis Vuitton luggage is engaged in a deeply irrational act. If you need a suitcase to hold your clothes or a handbag to carry your purse, you can find something that will do the job perfectly efficiently for a fraction of the cost.

When you buy Louis Vuitton you are buying a piece of history; you are buying ineffable quality (in the factory in Asnières they still make the suitcases by hand, lining up the leather and the canvas,

tapping in the little nails one by one, securing the individual five-lever solid pick-proof brass locks with the individual hand-made key); you are buying status, dreams of times gone by and lots more besides.

A piece of luggage becomes a repository of dreams - you, too, could be setting off down the Nile, heading for far horizons. Today the old Louis Vuitton trunks sell in auction rooms for a great deal more than the new ones, even the new ones made in the identical way to the old. And the Asnières factory will repair an old trunk and from its records produce a master key to fit the lock if the original has been lost.

At the factory the workers will still make you a special order. If, like Pierre Boulez, you need a special case for your conductor's baton and stand, they will make it. If, like the Congo explorer Séverin de Brazza, you have a need for a trunk that opens into a bed, they will make that, too. For rock stars, actresses and singers, they still regularly make the famous travelling wardrobes (at about £3,000 a time).

Just as the company's prestige originally derived from the intuitive way its founder provided the growing travelling classes with the appurtenances, its success today depends on interpreting and bringing to

life the needs of the modern traveller. As the aristocracy and the bourgeoisie took to travelling with enthusiasm, so Louis Vuitton provided them with cases for the newly fashionable habit of motoring, with trunks for the steamers, with folding appurtenances for the camel-train, and with softer bags to meet the newer requirements of the aeroplane. As each new design was copied almost as soon as he produced it he decided to cover the wax-covered canvas with the now internationally-recognised initials to make sure customers knew which were the genuine Louis Vuitton pieces.

Whatever decisions are taken in the courts next week Louis Vuitton itself is flourishing. Down in the Avenue Montaigne store in Paris the courtroom shenanigans seem a long way away as customers finger handbags costing from £180 a time, and pore over the famous rigid suitcases - which may cost £800 for the smallest size but which are known to last a lifetime and beyond. A young Japanese husband is buying his bride the famous "keepall", a chap in jeans is buying his companion a drawstring handbag in *cuir épé*, and on yet another counter a whole troop of Japanese are having what seems like the entire range paraded before their eyes. Demand doesn't look like drying up yet...

CHESS

hopes to become the first French team to win the European Cup, an event dominated by the USSR and West Germany. This would symbolise an enhanced cultural status for the city and would be a sporting landmark: France has not won a major senior chess title since the late world champion, Alekhine, died in 1946 - and he was an *émigré* Russian. The golden age for French chess dates right back to the period of a la Bourbons and St. Amant in the mid-19th century.

In a recent British chess magazine article, GM Glenn Flear, winner of the 1984 London International and now a French league player, argues that the time is ripe for the city and would be a sporting landmark: France has not won a major senior chess title since the late world champion, Alekhine, died in 1946 - and he was an *émigré* Russian. The golden age for French chess dates right back to the period of a la Bourbons and St. Amant in the mid-19th century.

Although Flear's proposal might not be viable, an interesting alternative would be if a single British city followed such Continental centres as Lyons, Forz and Rotterdam and gathered an all-star team of UK grandmasters in a bid to win the European Cup.

Some municipalities already take a positive attitude to chess. Hastings, in East Sussex, has long backed its traditional New Year event while the City of London has co-operated in the annual Watson Farley & Williams event now in progress at Tower Hill. In Yorkshire, Calderdale and Leeds are involved in the North of England international open and the NatWest British Rapid Championship.

These four (and, to a lesser extent, others) are recognised already as centres of chess excellence and an imaginative Cup bid would add to their status.

Meantime, the venue for this week's game by a leading UK grandmaster is still the Bundesliga. Black makes a single error (the premature 6... h5? should be replaced by N6 or Bb7) and Nunn's pieces home-in on the weakened

Keide with a decisive attack. White: John Nunn (Sollingen). Black: Stefan Buchal (Hofheim).

Modern Defence (Bundesliga 1990). 1 e4 g5 2 d4 Bg7 3 Nc3 d6 4 Be3 a5 5 f3 b5 6 g4 h5? 7 g4xh5 8 Nge2 Nc6 9 Qd2 B4 10 Nd5 a5 11 O-O-O Bb7 12 Nef4 Bb5 13 Bb5 a5 14 Qg2

Nunn is combining his attack against the black king with threats to the under-protected c knight. The immediate threat is 15 Nxe6 fxe6 16 Qxg5+ Kf8 17 Nf4 and Nxe6+, while 14... exd5 15 exd5 is very good for White.

14... Kf8 15 Nxe6+ fxe6 16 Nf4 Qb5 17 e5! Qf7.

Black already is reduced to coping as best he can with a succession of powerful moves. Here 17... dxe5 fails to 18 Nng5+ Kf7 19 Rxe6 Bxe6 20 Nxe5+.

18 Nxe6+ Kf8 19 f4 d5 20 Nxb5 Bxb5 21 Qh3 Bg7 22 f5 exf5 23 Rhg1 Nc7 24 e6 Qb5 25 Qh7 Bf6 26 Bb6 Qb5 27 Qf7+ Kd8 28 Bb8 Kc8 29 Rxe6 Nxe6 30 Rg5 Be5. Black suffers decisive material losses.

PROBLEM No. 819
BLACK 11 MEN
WHITE 12 MEN
L. Vogt (East Germany) v. P. Cladouras (West Germany). Budapest 1988. White sacrificed a bishop for two pawns but Black (to move) now looks up against it. White threatens Qxh5+ directly while 1... Nf6 to exploit a pin loses to 2 exf6 Rxe1 3 Qxg7 mate. What should Black play?
Solution Page XVII

Leonard Barden

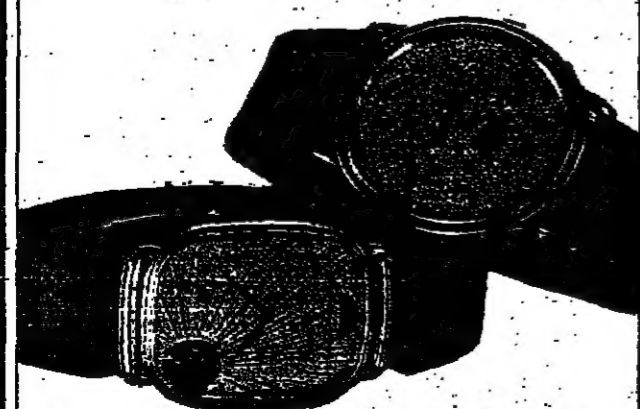
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THE MECHANICAL MASTERPIECES.

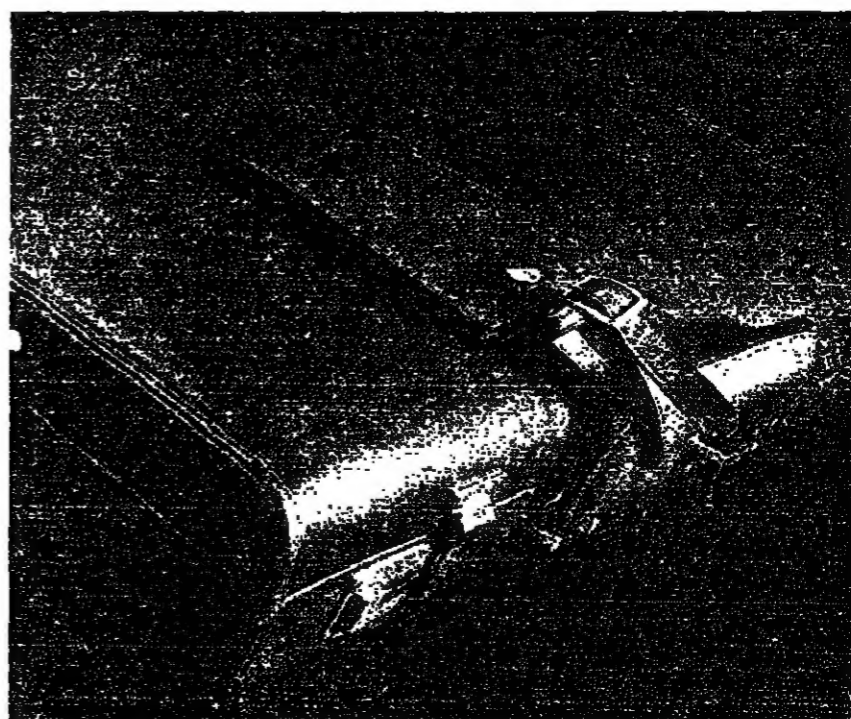


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SPORT

Tennis

Why British talent still evades the net

WHAT DO these British institutions have in common: Millfield, Repton, Queenswood, Reeds, Sevenoaks and Bisham Abbey? They all have specialist tennis squads. The first five schools fit an intensive tennis programme around the players' academic pursuits. Bisham Abbey fits the studies around the tennis for the 13 boys of the Lawn Tennis Association's School who live there and attend either High Wycombe Grammar School or the local comprehensive school.

Mark Cox, the former British number one, was once a pupil at Millfield, which introduced to Britain the principle of awarding scholarships to promising tennis players. Mark is now the LTA's national training coach. He has seen it from both sides.

"If only we had started 20 years ago," he sighed, as we stood sheltering from the rain at this week's Prudential Junior Hard Court Championships, held on the shale courts of the All England Club at Wimbledon. "They are good schemes as far as they go, but apart from Bisham none of it is intensive enough. And it's all too little, too late. We must be missing dozens of really talented kids. We need 20 or 30 Bishams all over the country where they can train and play six hours a day. There's no magic about improving. It's all about the two Qs - quality and quantity of work."

It is significant that Ann Jones, the 1989 Wimbledon champion who has just been appointed the supreme of women's tennis in Britain, has this week announced her intention of starting a girls' squad at Bisham. Both Mark and Ann agree that British juniors are improving, but they are still way behind their European and American rivals. Why does tennis in Britain suffer by comparison with the Continent and the US?

One of the reasons is poor court surfaces. Too many of the 35,000 outdoor courts in Britain are those appalling black tarmac or slippery red shale surfaces that abound in parks and clubs. It is impossible to learn sound technique

on such surfaces; furthermore, neither is used for international tournaments. There are also too many poor quality bounces. Many clubs are replacing them with artificial grass courts which provide excellent year-round playability. Unfortunately, however, synthetic grass is not an international tournament surface either. So what courts should we be laying? Let me quote from a tennis magazine, which wrote: "If the honours of lawn tennis are to be regained in this country, the young players must be trained entirely on clay courts. The French have no grass courts and the power and freedom of their hitting is the outstanding feature of their play. It is born of the fact that

John Barrett looks at plans to catch budding Beckers and rising Grafs

they have learned to rely on the true bounce of the ball whereas our players are waiting for the 'kick' off the court; the result is a degree of hesitancy."

All so true. But do you know when those words were written? In 1919. For 70 years we have known what is wrong, but only now are we starting to do something about it. How typically British! The European clay courts laid last year at Wimbledon and Queen's Club, plus those going in at Bisham Abbey, are at least a beginning. They are strategically placed to help our best players of all ages. The next step must be to build others in each of the LTA's eight regions. Clay, though, is not suitable for the average club because it can be used for only seven months a year.

A good compromise is the American Har-Tru court which has similar playing properties to clay and can be used for 10 to 11 months of the year.

In spite of the 11 indoor tennis initiative centres now open in parks and clubs, there is still a desperate

shortage of indoor facilities in Britain. In Sweden the population of 8.3m have nearly 3,000 indoor courts. Britain's 57m have some 450. It makes it difficult for youngsters outside the London area to develop.

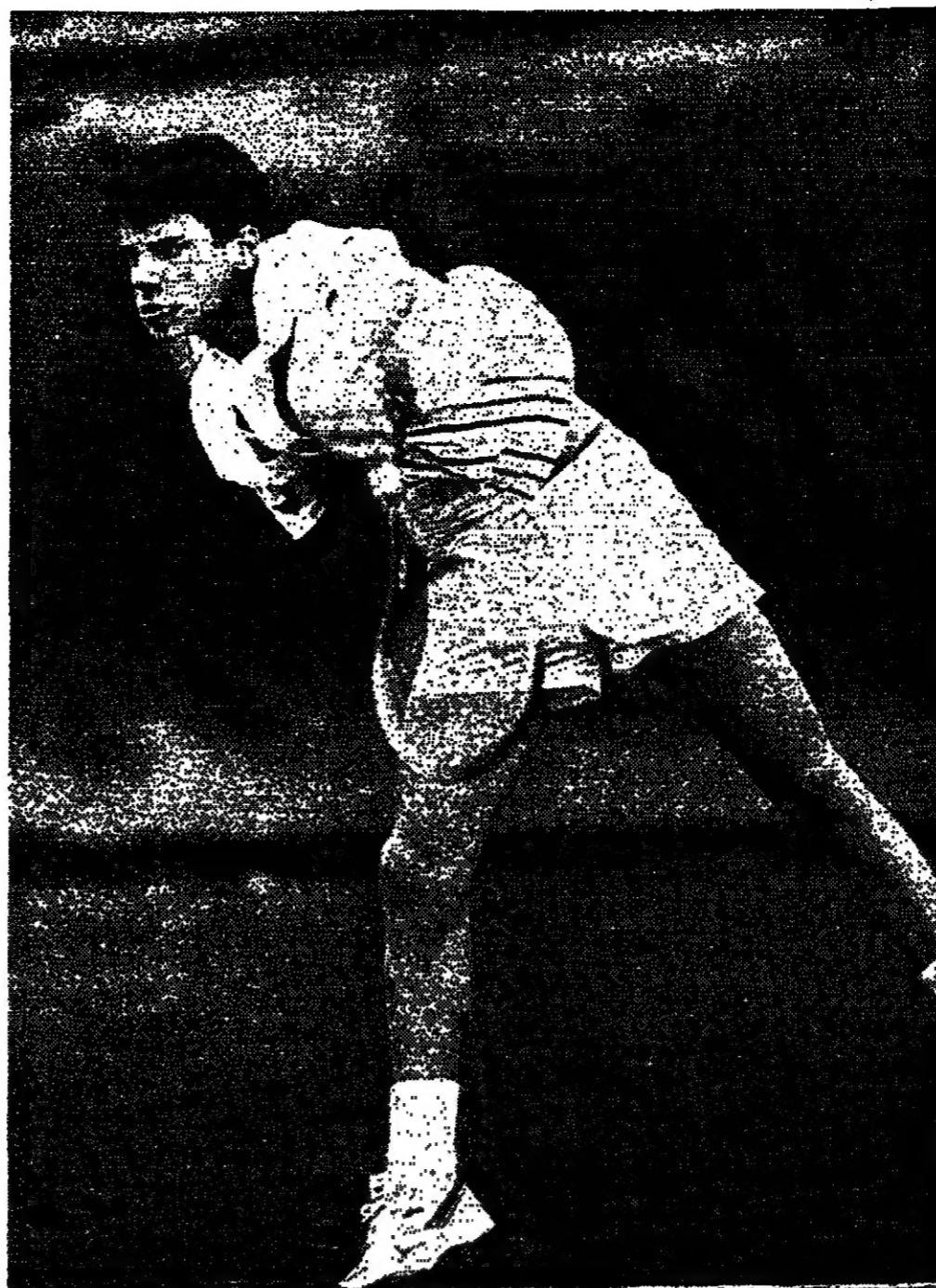
Consider the case of one of our best young national prospects, Paul Robinson, 16. He comes from Great Doddington, near Northampton, and was a member of the British team that beat the Swedes for the first time in the last Winter Cup competition.

There were no covered courts in Northampton just one bubble (air-hall) and that has been blown down several times in the gales. So I decided to try for Repton where there was plenty of tennis without pressure and a two-court bubble court half-hour away at Alfrinton. Robinson is referring to the highly successful centre run by Keith Reynolds and Ashley Broomhead, who have wisely put in the first Har-Tru courts in Britain and are delighted with the result.

For the past four years Paul has flourished at Repton where the squad assembled by Roger Thompson and coached by Leighton Alfred now has a purpose-built covered court on site. Paul also managed to get 10 grade A OCEBs. To outsiders, then, it seems surprising that he has just decided to leave Repton to go full time on the pro circuit.

His father Robert, a maths teacher, and his mother Linda support the decision. As Linda explained: "Paul must do what he really believes in. We've supported him all along. It hasn't been easy. We must have spent close to £20,000 over the past four years on travel, equipment, coaching and education. And all out of earned income. I've had to take a part-time job to see him through."

Paul is realistic about the future: "It is time to put everything into my tennis. It is a calculated gamble but I'm on the heels of the best Europeans. Last year I won two tournaments over there in Andiz and Frankfurt. Now I've got to earn some ATP points. I'm going to join the YTS to get myself started and I'll try to



Courting success: Paul Robinson is leaving school to go professional

find a sponsor. It's going to be hard work but I'm looking forward to it."

Bill Knight, like Cox a former British number one, lives in Northampton and knows Paul. He coached him briefly when Paul was younger. When Bill retired in 1988 he offered his services to British tennis and has managed several junior teams on overseas trips. In South America last November he saw Paul win 15 ITF ranking points at the five tournaments they played and is

impressed with his promise.

"But he sees a yawning gap. We are way behind the rest of the world. The problems? First, grass courts. They breed the wrong grip for success on clay or hard courts. Second, British television, which shows so little the play that none of our youngsters, and more important, our coaches, know what it takes to win on anything but grass - and there are only three weeks of grass tennis in the year. Third, technique. Our coaches must teach

topspin on both sides from the start. It is a different game from the one I used to play. Because of the lighter, graphite rackets, everyone swings fast with huge topspin, often double-handed on the backhand, and they hit like hell."

The only comforting thought is that the Beckers, Borgs and Grafs of this world emerge regardless of any training schemes. On the law of averages, Britain is due for one, so keep your fingers crossed.

Cricket

Matchstick men in MCC colours

CRICKET IS more than a sport. It is a culture, so rich in traditions and paraphernalia that some people who have never played a shot, bowled a ball, or even watched a game live in a world of cricket appreciation. Memorabilia or cricketana are the collectible objects which make up this world and fascinate its members to an obsessive level which can only leave outsiders stupefied.

All collectors can seem a bit mad, certainly eccentric, when showing the objects of their desire to anyone - foolish enough to express an interest. Collectors of cricketana have the added advantage that the items they accumulate cover an extraordinary range and on occasion, reach univalued peaks of peculiarity.

The first chapter of *The Wisden Book of Cricket Memorabilia* by Marcus Williams, a well-established cricket journalist, and Gordon Phillips, an archivist and librarian, is published by the MCC. It gives readers an idea of what is in store for them.

It tells collectors how to work out what is a fair price to pay for something they like the look of. Something, for instance, like an 1888 test-cricket cigar cutter featuring an engraving of Ranjitsinhji, like one W.G. Grace may have used. Or the matchstick statuette of Grace made by former Leeds bus driver Victor Wilson. This contains 12,454 matches glued, sandpapered and varnished together and topped by a cap five matchsticks deep, in MCC colours.

But one of the book's clearest themes is that cricketana is not centred round the leading figures of cricket history, such as Grace, any more than it is centred round the large collections, such as the MCC one at Lord's. It is an individual, local luxury interest in every part of cricket everywhere in the world, and has been delighting participants for over a century.

Naturally, there are focal points and key attractions, one of which is bound to be the mighty figure of Grace, another the brilliant Bradman, another the Hamilton Club as evoked by Nyren in his clas-

sic *The Young Cricketer's Tutor*. But are we reassured at the start that what matters is a little bit of what you fancy, really? Anything that catches a collector's eye is worthwhile cricketana. Anywhere that boasts a treasure such as a lace from one of Trumper's boots is a centre of cricketana.

Collecting cricket bits and pieces has become more popular and more expensive in England recently, and exporting out bargains counts as part of the fun. Even for someone like me, for whom memorabilia is not inspiring, there is an element of morbid fascination in reading about the torments collectors are willing to undergo.

And if they fail to get what they want in the end, they can open the Williams and Phillips book and read about the 13 largest collections in Britain, from the mammoth one at Lord's to the one on the cruise liner *Canberra*, where the willow wood-strip walls are encrusted with memorabilia.

I would give the book to a collector of would-be collector. It has its moments but basically takes itself seriously. I still find it hard to forgive Denis Compton for smearing Brylcreem all over his lovely crinkly hair, changing its natural hedge-like look to that of a greasy desert heater suited to a failed film actor of the '50s than one of the great cavalier batsmen. It was no consolation to learn that in November 1983 one of the posters of his Brylcreem advert was sold for £18.

Posters like these appear in the "Printed Ephemerata" chapter. The handbills in this chapter include one used by Surrey Cricket Ground at Kennington in 1882 to advertise a match between one-armed and one-legged Greenwich pensioners. The contest was billed as a "Great Novelty". In the 1987 Lord's Bicentenary auction it was still enough of a novelty to cost the bill's new owner £500.

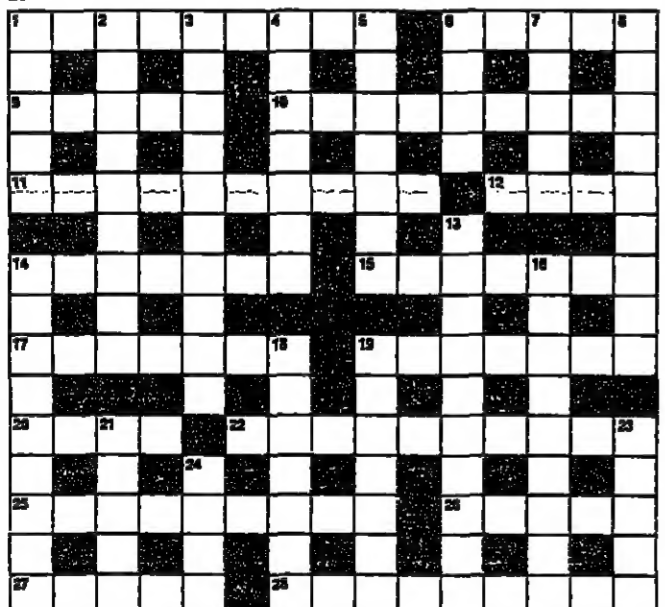
The style of writing is relaxed and ventilated with touches of humour. But it keeps the book lively, is the dotty nature of the subject with which it is concerned.

Teresa McLean

CROSSWORD

No. 7219 Set by DINMUTZ

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday May 2, marked Crossword 7219 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9SL. Solution on Saturday May 5.



- ACROSS**
- Summer fashions for the Strand, would you say? (5-4)
 - Banks backing this light vessel (5)
 - Control of trees ordered (5)
 - Flum name for an Australian, for example (9)
 - Troop miles out of the way in the city (10)
 - Indian queen got a single, we hear (9)
 - Variety of oriental spices (7)
 - After midnight, her family gets pickled (7)
 - Performing with one short leg... (2-5)
 - ... this bowler can get a catch in the deep (7)
 - Get rid of mournful old song (4)
 - Consider rail-workers as competitors (10)
 - Promises of party in showing (9)
 - Clue to understanding? (5)
 - Girl not completely natural (5)
 - Slightly cunning about one who ignores Polonius's advice (9)
- DOWN**
- Expansion interrupted by shilling - bust! (5)
 - Drink goes right to head - vigilance needed (9)
 - Maraschino drunk with music-makers (10)
 - Greatest Venus I love madly? (7)
 - Chasing round Kings Head is causing great suffering (7)
 - Mark to recognise location? (4)
 - Board gives Franco-German consent (5)
 - Openers in, struggling - he should be retired (9)
 - Danger! diet spoiled and blackened (10)

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CRAFTY CONSTATABLE
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S E A R T H E A T T O R
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S T I P E N D D R Y E D

Solution and winners of Puzzle No. 7219

ACROSS

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TELEVISION & RADIO

SATURDAY

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